ATM S.A. GROUP OF COMPANIES

CONSOLIDATED HALF-YEAR REPORT AS AT JUNE 30, 2008

(in PLN '000)

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FINANCIAL HIGHLIGHTS

	30.06.2008	30.06.2007	30.06.2008	30.06.2007
	'000 PLN		'000 EUR	
Total sales revenue	94792	84936	27258	22069
Operating profit (loss)	(2515)	(225)	(724)	(58)
Profit (loss) before tax	1 576	(26)	454	(7)
Net profit (loss) of parent undertaking shareholders	2441	(21)	702	(5)
Net cash from operating activities	2904	(9 054)	835	(2 353)
Net cash from investment activities	(46 205)	(4 050)	(13287)	(1 052)
Net cash from financial activities	9277	9721	2668	2526
Increase (decrease) in cash	(34 024)	(3 383)	(9 784)	(879)

	30.06.2008	31.12.2007	30.06.2008	31.12.2007
	'000 PLN		'000 EUR	
Fixed assets	245513	205 390	73195	57339
Current assets	87 175	163702	25990	45701
Total assets	332 688	369 092	99185	103041
Long-term liabilities	27353	20522	8 155	5729
Short-term liabilities	68008	91 439	20276	25527
Equity	237 327	257131	70755	71 784
Share capital*	34397	34397	10255	9603
Parent undertaking shareholders' equity	231 205	251 469	68930	70204
Number of shares	36 000 000	4 500 000	36 000 000	4 500 000
Book value per share (PLN/EUR)	6.42	55.88	1.91	15.60
Diluted book value per share (PLN/EUR)	6.42	55.88	1.91	15.60

** Share capital restated in accordance with IAS 29.*

The above financial data as at June 30, 2008 have been converted into EUR according to the following principles:

- particular items of assets and liabilities were calculated with average FX rate of the National Bank of Poland as of June 30, 2008 at PLN/EUR 3.3542;
- particular items of the consolidated P&L account and consolidated cash flow statement were calculated with the rate being arithmetic mean of rates of the National Bank of Poland at the last day of each month of the fiscal year (between January 1 and June 30, 2008) at PLN/EUR 3.4776.

The above financial data as at December 31, 2007 and data for the period between January 1, 2007 and June 30, 2007 have been converted into EUR according to the following principles:

- particular items of assets and liabilities were calculated with average FX rate of the National Bank of Poland as of December 31, 2007 at PLN/EUR 3.5820;
- particular items of the consolidated P&L account and consolidated cash flow statement were calculated with the rate being arithmetic mean of rates of the National Bank of Poland at the last day of each month of the fiscal year (between January 1 and June 30, 2007) at PLN/EUR 3.8486.

CONSOLIDATED FINANCIAL STATEMENTS AS AT JUNE 30, 2008

KEY CONSOLIDATED REPORT DATA

This consolidated annual report covers information prepared pursuant to Section 86, Subsection 2 and Section 87, Subsection 1 of the Regulation of the Minister of Finance of October 19, 2005, and includes consolidated financial statements of the ATM S.A. Group of Companies made in accordance with the International Financial Reporting Standards as approved by the European Union for the period between January 1 and June 30, 2008, in accordance with IAS 34 — "Mid-year Reporting" requirements.

Submission date: 26.09.08

Key Issuer details:

Full name of the Issuer: ATM S.A.
Short name of the Issuer: ATM
Sector according to Warsaw Stock Exchange classification: IT
Post code: 04-186
City: Warsaw
Street name: Grochowska
Street number: 21a
Phone: (22) 51 56 660
Fax: (22) 51 56 600
E-mail: inwestor@atm.com.pl
Web site: www.atm.com.pl
NIP (tax identification number): 113-00-59-989
REGON (statistical ID): 012677986

Entity authorized to perform audit: Deloitte Audyt Sp. z o.o.

CONSOLIDATED PROFIT AND LOSS STATEMENT

	NOTE	End of period, June 30, 2008	End of period, June 30, 2007
Continued operations			
Revenue from sales	3	94792	84936
Cost of goods sold (variable)	4	54352	55993
Cost of goods sold (fixed)	4	11921	10426
Gross profit (loss) on sales		**28519**	**18517**
Other operating revenue	5	361	219
Selling costs	4	585	70
General and administrative costs	4	30688	18718
Other operating expenses	6	122	173
Restructuring costs		-	-
Operating profit (loss)		**(2515)**	**(225)**
Financial revenue	7	4570	829
Financial expenses	8	849	630
Net financial activity		**3271**	**199**
Share in the financial result of undertakings valued using the equity method		370	-
Profit (loss) before tax		**1576**	**(26)**
Income tax	9	(159)	109
Net profit (loss) on continued operations		**1735**	**(134)**
Discontinued operations			
Net profit (loss) on discontinued operations		-	-
Net profit (loss)		**1735**	**(134)**
Net profit (loss) for the Group's shareholders		2441	(21)
Net profit (loss) for minority shareholders		(706)	(113)
Profit (loss) per share			
From continued operations:			
Ordinary		0.07	(0.01)
Diluted		0.07	(0.01)
From continued and discontinued operations:			
Ordinary		0.07	(0.01)
Diluted		0.07	(0.01)

CONSOLIDATED BALANCE SHEET — ASSETS

	NOTE	End of period, June 30, 2008	End of period, December 31, 2007
Fixed assets			
Goodwill	11	16597	15677
Intangible assets	12	30030	25712
Property, plant and equipment	13	120400	86794
Shares in subordinated undertakings accounted for by equity method		64373	61908
Financial assets available for sale	14	80	80
Deferred income tax	9	1547	1256
Other fixed assets	15	12486	13963
		245513	**205390**
Current assets			
Inventories	16	9387	8326
Financial assets held for trading		-	2133
Trade and other receivables	17	40301	81231
Income tax receivables		31	38
Other current assets	18	1724	2218
Cash and cash equivalents	19	35732	69756
		87175	**163702**
Fixed assets classified as held for sale		-	-
Total assets		**332688**	**369092**

CONSOLIDATED BALANCE SHEET — LIABILITIES

	NOTE	End of period, June 30, 2008	End of period, December 31, 2007
Equity			
Share capital	20	34397	34397
Share premium account		165132	157252
Revaluation reserve		-	-
Treasury shares		(1682)	-
Capital reserves		23896	25073
Hedge valuation reserve and FX gains/losses due to consolidation		-	-
Retained earnings	20	9462	34747
Total Group shareholders' equity		**231205**	**251469**
Minority share	21	6122	5662
		237327	**257131**
Long-term liabilities			
Bank and other loans	22	1992	2283
Provisions for deferred tax		-	-
Provisions for liabilities	23	98	183
Trade and other liabilities	24	4142	3244
Other financial liabilities	26	21121	14812
		27353	**20522**
Short-term liabilities			
Bank and other loans	22	4189	246
Provisions for liabilities	23	54	544
Income tax liabilities		25	4419
Trade and other liabilities	25	34193	80629
Other financial liabilities	26	29547	5601
		68008	**91439**
Liabilities related directly to fixed assets classified as held for sale		-	-
Total liabilities		**332688**	**369092**

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

	Share capital	Supplementary capital from share premium	Treasury shares	Capital reserve	Retained earnings	Total Group shareholders' equity	Minority share	Total shareholders' equity
As at January 1, 2007	**24572**	**4558**	**-**	**23362**	**40431**	**92923**	**2613**	**95535**
Increases:								
Issue of shares	521	7480	-	-	-	8001	-	8001
Current period results	-	-	-		-	-	-	-
Changes to the Group's structure	-	-	-	-	(11)	(11)	2708	2699
Profit distribution	-	-	-	1244	-	1244	-	1244
Decreases:								
Current period results	-	-	-	-	21	21	113	134
Profit distribution to be allocated to equity	-	-	-	-	1244	1244	-	1244
Dividends paid out	-	-	-	-	25929	25929	238	26167
Data as at June 30, 2007	**25093**	**12038**	**-**	**24606**	**13226**	**74963**	**4970**	**79993**
Data as at January 1, 2008	**34397**	**157252**	**-**	**25073**	**34747**	**251469**	**5662**	**257131**
Increases:								
Capital increase	-	-	-	-	-	-	996	996
Current period results	-	-	-	-	2441	2441	-	2441
Changes to the Group's structure	-	7880	-	32	(286)	7626	169	7795
Decreases:								
Purchase of treasury shares under share option plan	-	-	1682	-	-	1682	-	1682
Current period results	-	-	-	-	-	-	705	705
Items transferred to reserve capital	-	-	-	-	7880	7880	-	7880
Dividend payout	-	-	-	1209	19560	20769	-	20769
Data as at June 30, 2008	**34397**	**165132**	**(1682)**	**23896**	**9462**	**231205**	**6122**	**237327**

CONSOLIDATED CASH FLOW STATEMENT

	NOTE	End of period, June 30, 2008	End of period, June 30, 2007
Operating activities			
Profit (loss) before tax		**1576**	(35)
Adjustment (items):		1328	(9019)
Share in profit (loss) of entities valued using the equity method		(370)	-
Amortization and depreciation		7415	4302
FX gains/losses		(1427)	(174)
Interest received		19	-
Interest paid		668	513
Dividends received		-	-
Profit (loss) on investment activities		(61)	(138)
Movements in inventories		(1059)	(3376)
Movements in receivables		38023	18054
Movements in liabilities and provisions		(43294)	(20426)
Movements in other assets		5099	(1466)
Income tax paid		(4289)	(5954)
Other		605	(354)
		2904	**(9054)**
Investment activities			
Expenses on property, plant and equipment purchases		(54916)	(24687)
Expenses on financial asset purchases		(1108)	(2974)
Revenue from property, plant and equipment sale		10474	(23264)
Repayment of long-term loans		1825	-
Long-term loans granted		2634	-
Revenue from financial asset sale		-	234
Interest received		-	117
FX gains/losses		153	(4)
Other		1	-
		(46205)	**(4050)**
Financial activities			
Net proceeds from issue of shares and other capital contributions		1104	8094
Subsidies received		242	-
Proceeds from loans		14035	3447
Repayment of loans		(303)	-
Purchase of treasury shares		(1682)	-
Payment of liabilities arising from finance leases		(3440)	(1848)
Dividends paid		(233)	(170)
Interest received		274	-
Interest paid		(742)	(541)
FX gains/losses		14	(12)
Other		7	751
		9277	**9721**
Movements in cash		**(34024)**	**(3383)**
Opening balance of cash		69756	9513
Closing balance of cash		**35732**	**6130**

ADDITIONAL NOTES

NOTE 1
BASIC INFORMATION

1. Information concerning the parent undertaking

As the parent undertaking of the ATM S.A. Group of Companies, ATM S.A. is a joint stock company. The Company launched its operations in 1993 as ATM Sp. z o. o. limited liability company. On July 10, 1997, ATM Sp. z o. o. was transformed into a joint stock company pursuant to the notarial deed drawn up at the Notarial Office in Raszyn on May 16, 1997 (Repertory No. 3243/97).

The registered office of the Company is located in Warsaw at Grochowska 21a. The Company operates from its registered office as well as through a branch in Katowice, which is not a self-contained accounting Company unit, however. The Company was registered at the District Court for the Capital City of Warsaw in Warsaw, 13th Commercial Division of the National Court Register. The Company is registered under National Court Register entry No. KRS 0000034947.

ATM S.A. is listed on the Warsaw Stock Exchange. The ownership structure as at December 31, 2007 and June 30, 2008 has been presented in Note 20.

According to the Warsaw Stock Exchange classification, the core business of the Group concerns the IT sector. The Group's core business includes ICT services combining skills and resources related to ICT systems integration and telecommunications as well as software development and deployment. The services provided by the Group cannot be clearly classified as "IT" or "telecommunications" services, so its business has not been divided into separate segments for accounting purposes. ATM S.A. provides services related to the following core areas:

- integrated ICT infrastructure systems, including the integration of computer networks and data storage and processing systems;
- telecommunications and value added services, including Internet access for telecommunications providers and corporate customers, the lease of transmission lines, telecommunications outsourcing, collocation and other value added services;
- business security solutions and services, including technical information security solutions, backup center and office services as well as IT support for business continuity procedures;
- application solutions based on proprietary and third party software;
- multimedia solutions and services including an interactive television platform incorporating video on demand services and a point of sales advertising television platform;
- Subsidiary companies complement the above scope of services with universal mobile payment system services (currently in the deployment stage), video on demand services, IT outsourcing for small
  and medium-sized enterprises as well as Web 2.0 services. The scope of activities has been described in more detail in Note 3.

As at June 30, 2008, the Management Board of the parent undertaking included:

- Roman Szwed — Management Board President
- Tadeusz Czichon — Management Board Member

The Supervisory Board as at June 30, 2008 included:

- Jan Wojtyński — Chairman
- Tomasz Tuchołka — Deputy Chairman
- Sławomir Kamiński — Member
- Jan Madey — Member
- Zbigniew Mazur — Member

_2._ Information about undertakings included in the Group of Companies

As at December 31, 2007, the Group of Companies included the following subsidiaries apart from the Issuer:

- ATM Services Sp. z o.o., 60% of whose shares were held by ATM S.A.
- mPay International Sp. z o.o., 88.76% of whose shares were held by ATM S.A. mPay International Sp. z o.o. is the parent undertaking of the group of companies including the following subordinate undertakings:
  - mPay S.A. subsidiary in which ATM-Mobile parent undertaking together with ATM S.A. hold 100% of the share capital;
  - rec-order sp. z o. o. subsidiary in which ATM-Mobile parent undertaking together with ATM S.A. hold 100% of the share capital.
- iloggo Sp. z o.o., 60% of whose shares were held by ATM S.A.
- Cineman Sp. z o.o., 51% of whose shares were held by ATM S.A.
- KLK Sp. z o.o., 78.74% of whose shares were held by ATM S.A.
- Centrum Badawczo-Rozwojowe ATM-Lab Sp. z o.o., 99.9% of whose shares were held by ATM S.A.
- Impulsy Sp. z o.o., 72% of whose shares were held by ATM S.A.
- Sputnik Software Sp. z o.o., 60% of whose shares were held by ATM S.A.
- Linx Telecommunications B.V., 21.79% of whose shares were held by ATM S.A.

In the first half of 2008, the following changes occurred with respect to the ATM S.A. Group of Companies:

- On March 8, 2008, the capital of the Impulsy Sp. z o. o. company was increased by PLN 30,000 pursuant to the resolution of the Extraordinary Partners' Meeting by the establishment of 15 new shares. All new shares were taken over by ATM S.A. As a result, the Issuer's share increased from 72% to 78.47%.
- On March 26, 2008, ATM S.A. took up all shares in the newly established company named Centrum Innowacji ATM Sp. z o.o. with its registered office in Warsaw. The share capital of the newly established company amounts to PLN 50,000. ATM S.A. took up 1000 shares with the face value of PLN 50 each, worth PLN 50,000 in total, which constitutes 100 percent of shares in the company's initial capital. Centrum Innowacji ATM Sp. z o.o. was established with a view to the intended commencement of activity of ATM S.A. in the Łódź Special Economic Zone, Warsaw Subzone, Grochowska complex. To make it reality, there is a need to assign this part of ATM S.A. operations, which is to be run solely in the Zone, to a separate company. The company was established to enable taking legal and formal steps to sign applicable agreements with the entity managing the Special Economic Zone to be able to run business in the Zone.
- On April 10, 2008, share capital increase was recorded at mPay International Sp. z o.o. The capital was increased pursuant to the resolution of the Extraordinary Partners' Meeting adopted on January 22, 2008. The capital was increased by PLN 2,000,000, i.e. from PLN 7,250,000 to PLN 9,250,000 by the establishment of 4,000 new shares at PLN 500 each. 2,400 shares were taken up by ATM S.A. and 1,600 by Henryk Kułakowski. Pursuant to the resolution of February 7, 2008, the newly established shares were paid up by March 31, 2008.
- On May 14, 2008, capital increase was recorded at mPay S.A. The capital was increased pursuant to the resolution of the Extraordinary General Meeting of Shareholders adopted on March 6, 2008, by way of private placement. The share capital was increased to PLN 6,900,000 (by PLN 1,400,000) through the issue of 2,800,000 series B shares with a face value of PLN 0.50 each. All shares from the new issue were offered to the mPay International Sp. z o. o. company.
- In the second quarter of 2008, the Issuer purchased 4,612 shares from Linx Telecommunications B.V. employees under the option plan. Following the transaction, the number of shares held by ATM S.A. is 2,754,612, amounting to 21.67% of the Linx Telecommunications B.V share capital.
- On June 23, 2008 The Partners' Meeting decided to increase the capital of Cineman Sp. z o. o. by PLN 400,000, i.e. from PLN 600,000 to PLN 1,000,000 by the establishment of 800 shares at PLN 500 each. 408 shares were taken up by ATM S.A. and 392 by Monolith Films Sp. z o. o.

As at June 30, 2008, the ATM S.A. Group of Companies included the following undertakings:

No.	Company name	Core business	Dependence	Stake in share capital	Share in the overall number of votes
1	Centrum Innowacji Sp. z o.o.	Building a modern ICT center	Subsidiary	100%	100%
2	CBR ATM-Lab Sp. z o.o.	Research and development work	Subsidiary	99.9%	99.9%
3	KLK Sp. z o.o.	Integration of ICT systems	Subsidiary	78.74%	78.74%
4	Impulsy Sp. z o. o.	Systems for medical services industry	Subsidiary	78.47%	21.53%
5	Sputnik Software Sp. z o.o.	Software for local government institutions	Subsidiary	60%	60%
6	mPay International Sp. z o.o.	Mobile payment settlement	Subsidiary	60%	60%
7	ATM Services Sp. z o.o.	IT services	Subsidiary	60%	60%
8	Noggo Sp. z o.o.	Web services	Subsidiary	60%	60%
9	Cineman Sp. z o.o.	Web multimedia services	Subsidiary	51%	51%
10	Linx Telecommunications B.V.	Telecommunications services	Associate	21.67%	21.67%
11	Rec-order Sp. z o.o.	Online sales	Subsidiary	0.125%	0.125%
12	mPay S.A.	Mobile payment settlement	Subsidiary	0.0001%	0.0001%

3. Grounds for the drawing up of consolidated financial statements

The present consolidated financial statements have been drawn up in accordance with the requirements of International Financial Reporting Standards (“IFRS”) as approved by the European Union, and with respect to matters not regulated in the said standards in accordance with the requirements of the Accounting Act of September 29, 1994 (Journal of Laws [Dz.U.] No. 76/2002 item 694 as amended) and the secondary legislation issued pursuant to this Act and in accordance with the requirements stipulated in the Regulation of the Minister of Finance of October 19, 2005 regarding current and periodical information submitted by issuers of securities (Journal of Laws [Dz.U.] No. 209/2005 item 1744).

As of January 1, 2005, amendments to the Accounting Act (Article 45, sections 1a through 1c of the Accounting Act) have imposed an obligation on the Group to draw up consolidated financial statements in accordance with IFRS as approved by the European Union. As at the publication date of the present consolidated financial statements, taking into account the adaptation process of IFRS by the European Union, there are no differences between the accounting principles adopted by the Group according to IFRS and IFRS as approved by the European Union.

NOTE 2
MATERIAL ACCOUNTING POLICIES

The fiscal year for the Issuer and the companies included in the Group is a calendar year.

The financial data in the consolidated financial statements have been stated in thousands of PLN unless stated with greater accuracy in specific cases. The Polish zloty (PLN) is both the functional and reporting currency for the Group.

The consolidated financial statements have been drawn up on the assumption that the Group will continue as a going concern in the foreseeable future. As at the date on which the consolidated financial statements were drawn up, there were no circumstances indicating any threat to the Group continuing as a going concern.

1. Compliance statement

The consolidated financial statements of the ATM S.A. Group for the period ending on June 30, 2008 and comparable data for the fiscal year ending on December 31, 2007 have been drawn up in accordance with International Financial Reporting Standards as approved by the European Union, including the IAS 34 — "Mid-year Reporting" requirements.

2. Earlier adoption of International Financial Reporting Standards

As indicated above, in drawing up the present consolidated financial statements, the Group applied IFRS as approved by the European Union. The Group decided not to take advantage of the possibility to adopt new standards and interpretations that have already been published and approved by the European Union or are to be approved in the near future, and which will come into force after the balance sheet date, at an earlier date:

- Amendment to IAS 1 — "Presentation of Financial Statements" (applicable to financial statements for periods starting on July 1, 2009 or later);
- Amendment to IAS 23 — "Borrowing costs" (applicable to financial statements for periods starting on January 1, 2009 or later);
- Amendments to IAS 32 — "Financial Instruments: Presentation" and related amendments to IAS 1: "Presentation of Financial Statements" (applicable to annual periods beginning on January 1, 2009);
- Amendments to IFRS 2 — "Share-based Payment" (applicable to annual periods beginning on January 1, 2009);
- Amendments to IFRS 3 — "Business Combinations" (applicable to annual periods beginning on July 1, 2009);
- Amendment to IAS 27 — "Consolidated and Separate Financial Statements" (applicable to financial statements for periods beginning on January 1, 2009 or later);
- IFRIC 12 Interpretation — "Contracts for Licensed Services" (applicable to annual periods beginning on January 1, 2008); The current interpretation has no influence on the Company financial statements;
- IFRIC 13 Interpretation — "Loyalty Programs" (applicable to financial statements for periods beginning on July 1, 2009 or later);
- IFRIC 14 Interpretation — "The limit on a defined benefit asset, minimum funding requirements and their interaction" (applicable to annual periods beginning on January 1, 2008); The current interpretation has no influence on the Company financial statements;
- IFRIC 15 Interpretation — "Contracts for Real Estate Construction" (applicable to financial statements for periods beginning on January 1, 2009 or later);
- IFRIC 16 Interpretation — "Net Foreign Investment Hedge" (applicable to financial statements for periods beginning on January 1, 2009 or later);
- Amendments to IFRS 1 — "Using International Financial Reporting Standards as Grounds for Accounting for the First Time" and amendments related to IAS 27 — "Consolidated and Separate Financial Statements" (applicable to annual periods beginning on January 1, 2009).

According to parent undertaking Management Board estimates, the application of these regulations in the Group's operations will not have significant impact on consolidated financial statements.

At the same time, besides the regulations adopted by the EU, there is also asset and liability portfolio hedge accounting, which has not been fully approved for application within the EU. According to the estimates of the entity, asset or liability portfolio hedge accounting application according to IAS 39 — "Financial instruments: recognition and valuation" would not have significant impact on financial statements if they had been fully approved for application within the EU as at the balance sheet date.

During the preparation of this consolidated financial statements the Group did not decide to apply IFRS regulations which had already been published and approved for application within the EU but are not applicable yet:

- IFRS 8 — "Operating Segments" (coming into force on January 1, 2009).

3. Management Board estimates

In drawing up the present consolidated financial statements, the Management Board of the parent undertaking relies on estimates based on certain assumptions and judgments. These estimates affect the principles adopted and the amounts of assets, liabilities, revenue and costs presented.

The estimates and related underlying assumptions are based on historical experience and the analysis of diverse factors, which are considered reasonable under the circumstances and their results form the basis for professional judgment concerning the value of individual items they concern.

With regard to certain significant issues, the Management Board of the parent undertaking relies on opinions voiced by independent experts.

Due to the nature of estimates and the forward-looking assumptions adopted, the accounting estimates arrived at in this manner may by definition differ from actual results. The estimates and assumptions adopted are subject to ongoing verification. Any change in accounting estimates will be recognized in the period in which they are changed if they concern this period only, or in subsequent periods as well.

Estimates and assumptions involving significant risk include:

a) provisions for employee benefits

As concerns employee benefits, the Group is not party to any wage bargaining agreements or collective employment agreements. Moreover, the Group does not participate in any pension schemes managed directly by the Company or by external funds. The costs of employee benefits include salaries payable according to the terms and conditions of employment contracts concluded with individual employees and the costs of pension benefits (retirement severance pay) payable to employees pursuant to Labor Code provisions at the end of their employment period. Short-term employee benefit liabilities are valued according to general principles. Long-term benefits are estimated using actuarial methods. Due to the immaterial nature of these provisions, based on the materiality principle included in the International Financial Reporting Standards Conceptual Framework, the provisions for long-term benefits at the end of the employment period have not been recognized in the consolidated financial statements.

b) estimates related to annual goodwill impairment testing

At the end of each fiscal year, the Group conducts an annual goodwill impairment test as per its accounting policy. In order to test for possible goodwill impairment, goodwill is allocated to cash generating units. The recoverable amount is determined based on value in use calculations. These calculations require the use of estimates concerning the projections of cash flows in the next fiscal year and the predicted development of the Polish market in subsequent years. Due to the significant volatility of the business climate in the IT industry in which the Group operates, actual cash flows may differ from those forecast by the Group.

c) long-term contracts

The Group determines the completion stage of long-term contracts by determining the proportion of the project costs already incurred to total estimated project costs. Due to the nature of the projects implemented and the possibility that unforeseen difficulties emerge in relation to project implementation, it may turn out that total actual project implementation costs differ from the estimates made. Changes in total project implementation cost estimates may result in the need to restate the project completion stage determined as at the balance sheet date, and thus restate the revenue recognized.

d) other

Apart from the aforementioned issues, the Group makes regular (at least annual — on the balance sheet date) estimates concerning the correct determination of life of individual fixed assets, the potential residual value of individual assets as well as receivable and inventory write-downs. These estimates are largely based on historical experience and the analysis of various factors affecting the use of assets and the possibility of taking advantage of the related economic profits.

4. Accounting principles

Consolidation — subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying the control of more than one half of the overall voting rights in their decision-making bodies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The acquisition of subsidiaries by the Group is accounted for using the purchase method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group’s share of the identifiable net assets acquired is recorded as goodwill. Goodwill is not subject to amortization, but is tested for impairment annually.

If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the profit and loss account.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. Inter-company transactions, balances and unrealized gains on transactions between Group Companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred.

Increases in stake in a subsidiary occurring after the parent undertaking has assumed control are recognized in equity.

Goodwill impairment write-downs are recognized in the profit and loss account as other operating expenses and are not subject to reversal.

Consolidation — associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying the control of between 20% and 50% of the voting rights in decision-making bodies.

Investments in associates are accounted for by the equity method of accounting and are initially recognized at cost. The Group’s investment in associates includes goodwill identified on acquisition.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group’s interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred.

Intangible assets

Intangible assets include Group assets that lack physical substance, are identifiable and can be reliably valued and which will cause future economic benefits to flow to the unit.

Intangible assets are initially recognized at acquisition price or cost of production.

Intangible assets created as a result of development work are recognized in the balance sheet where the following conditions are met:

- from the technical point of view, the intangible asset can be completed so that it can be sold or used;
- it is possible to demonstrate the intention to complete the asset as well as use and sell it;
- the asset will be fit for use or sale;
- the manner in which the asset will generate future economic benefits is known;
- technical and financial resources required to complete development work and to use and sell the asset will be secured;
- it is possible to reliably determine the expenditure incurred during development work.

The expenditure incurred during research work and expenditure that does not meet the aforementioned conditions is recognized as expense in the profit and loss account on the date it is incurred, under general and administrative costs.

The Group also includes the expenditure incurred in order to obtain perpetual land usufruct rights in intangible assets. Perpetual usufruct of land is considered operating lease, and so the subject of usufruct is not included in the Group's assets. However, the expenses incurred in order to obtain such rights in the secondary market (from other undertakings) and the expenses related to the granting of such rights by competent state authorities are recognized as intangible assets and are amortized over the contractual period during which the Group can use such rights.

The rates adopted for the amortization of intangibles reflect their predicted useful life. The Group does not have intangible assets with indefinite useful life other than goodwill. Intangible assets with definite useful lives are amortized on a straight-line basis. The useful lives for individual intangible assets are as follows:

obtained perpetual usufruct rights	100 years
software licenses	2 years
development work	3 to 5 years
trademarks	5 years
copyrights	5 years

Intangible assets are tested for impairment where there are circumstances indicating impairment; for intangible assets in development the potential impairment is determined on every balance sheet date. The effects of intangible impairment and amortization are recognized as costs related to core operations.

On the balance sheet date, intangibles are valued at cost less amortization charges and any impairment charges.

Property, plant and equipment

Property, plant and equipment includes fixed assets and expenditure for fixed assets under construction which the unit intends to use in its activities and for administrative purposes over a period longer than one year, and which will cause future economic benefits to flow to the unit. Fixed asset expenditure includes the investment expenditure incurred as well as expenditure incurred in relation to the future supplies of machinery, equipment and services related to the construction of fixed assets (payments on account).

Fixed assets and fixed assets under construction are initially recognized at acquisition price or cost of production.

Fixed assets include important specialist replacement parts that function as elements of a fixed asset. Significant components, including intangible ones, are also recognized as separate fixed asset items.

The rates adopted for the depreciation of fixed assets, including components and specialist replacement parts, reflect their predicted period useful life. Fixed assets are depreciated on a straight-line basis. The useful lives for individual fixed asset items are as follows:

buildings and structures	from 10 to 40 years
machinery and equipment	from 3 to 10 years
means of transportation	from 3 to 7 years
other fixed assets	from 3 to 10 years

Own land is not subject to depreciation. The group treats perpetual land usufruct rights granted as operating lease. Where such rights are purchased in the secondary market, they are recognized as intangible assets and amortized over their predicted period useful life.

Fixed assets and fixed assets under construction are tested for impairment where there are circumstances indicating impairment; for fixed assets under construction in the development stage the potential impairment is determined on every balance sheet date. The effects of impairment of fixed assets and fixed assets under construction are recognized as other operating expenses.

On the balance sheet date, fixed assets and fixed assets under construction are valued at cost less depreciation charges and any impairment charges.

Financial assets

The Group classifies financial assets to one of the following categories: financial assets at fair value through profit or loss, loans granted and own receivables, financial assets held to maturity and financial assets available for sale. The classification of individual financial asset depends on the purpose of the financial asset, the intentions of the Management Board and on whether the financial asset in question is quoted in the market. The Management Board determines the aforementioned classification on the initial recognition of a given asset and, in justified cases, performs an appropriate reclassification in subsequent periods, except for the reclassification of financial assets at fair value through profit or loss. The reclassification in and out of the financial assets at fair value through profit or loss category is prohibited.

a) Financial assets at fair value through profit or loss

This category includes financial assets held for trading and financial assets designated on initial recognition to be measured at fair value. Financial assets are classified to this category where they are held for the purpose of selling in the short term. Financial instruments (except hedging instruments) are also classified to the held for trading financial asset category.

Financial assets at fair value through profit or loss are initially measured at fair value, and transaction costs are recognized directly in the profit and loss account. Gains and losses resulting from movements in fair value are recognized in the profit and loss account in the period in which they occurred.

b) Loans granted and own receivables

Loans granted and own receivables are financial assets which are not financial instruments, with fixed or determinable payments, not quoted and not acquired in order to be traded.

Loans granted and own receivables are initially measured at fair value together with transaction costs, unless these are immaterial. On the balance sheet date, this category is measured at amortized cost using the effective interest rate method.

c) Financial assets held to maturity

Financial assets held to maturity include financial assets with fixed or determinable payments or fixed maturity, which the Group intends and is able to hold to maturity, except for loans granted and own receivables.

Financial assets held to maturity are initially measured at fair value together with transaction costs, unless these are immaterial. On the balance sheet date, this category is measured at amortized cost using the effective interest rate method.

d) Financial assets available for sale

The Company includes among financial assets available for sale all financial assets that are not: loans granted and own receivables, financial assets held to maturity and financial assets held for trading. Assets available for sale include in particular shares in other undertakings that are not subordinates, which the Company does not intend to sell in the short term.

Financial assets available for sale are initially measured at fair value together with transaction costs, unless these are immaterial. On the balance sheet date, this category is measured at fair value.

Interest income related to financial assets available for sale is recognized in the profit and loss account using the effective interest rate method. Dividends related to financial assets available for sale are recognized in the profit and loss account on the date when the Group's rights to receive payment are established. All other fair value movements are recognized in equity. On the sale or expiry of these assets, the valuation effects recognized in equity are recognized in the profit and loss account.

All financial assets are removed from the balance sheet when the rights to receive benefits from a given asset expire or have been transferred and the Group has transferred virtually all benefits and risks related to the asset.

Financial assets are recognized as current assets unless their maturity exceeds 12 months from the balance sheet date; in this case, they are recognized as fixed assets.

Financial instruments and hedges

Financial instruments are recognized and measured at fair value on the balance sheet date. The methods for recognizing profit and loss related to these instruments depend on whether the instrument in question was designated as a hedge and the nature of this hedge. A given instrument may be designated as a fair value hedge, cash flow hedge or a foreign investment hedge. During the periods included in the consolidated financial statements, the Group used neither financial instruments (including embedded ones) nor hedge accounting.

Inventories

Inventories are assets held for sale in the ordinary course of business, assets in the production process for sale and materials and supplies that are consumed in production or during the provision of services. Inventories include materials, goods, finished products and work in process. Materials and goods are initially measured at acquisition price. On the balance sheet date, materials and goods are valued according to the prudence principle, i.e. these categories are valued at the lower of acquisition price or realizable sales value.

Finished products and work in process are initially valued at actual cost of production. On the balance sheet date, finished products and work in process are valued according to the prudence principle.

Inventories of goods, materials and finished products are subject to write-downs as per the following principles:

- goods inventories:
  - goods remaining in warehouse from 6 months to 1 year 5%
  - goods remaining in warehouse from 1 year to 2 years 10%
  - goods remaining in warehouse from 2 to 3 years 30%
  - goods remaining in warehouse from 3 to 5 years 50%
  - goods remaining in warehouse more than 5 years 100%
- materials inventories:
  - the value of materials is recognized in the cost of goods sold over 5 years on a straight line basis.

Inventory accounting is based on detailed identification for items allocated to specific projects or on the FIFO method for remaining inventories; costs are recognized in the cost of goods sold. Write-downs concerning inventories resulting from prudent valuation as well as write-downs for slow-moving goods and their reversals are recognized in the cost of goods sold.

Trade and other receivables

Receivables are initially recognized at fair value. Where normal payment deadlines are applied that are accepted in practice in the market for similar transactions, fair value is deemed to be their face value arising on the date on which revenue is recognized.

On the balance sheet date, trade receivables are valued at amortized cost using the effective interest rate method, according to the prudence principle. Receivables are subject to revaluation depending on the probability of their receipt by making the following write-downs:

- from debtors put in liquidation or bankruptcy — the amount of receivables not secured;
- from debtors where a petition in bankruptcy has been dismissed — 100% of the amount of receivables;

- disputed receivables or receivables that are overdue and payment is not probable — the amount of receivables not secured;
- receivables equivalent to the amounts added back to receivables — in those amounts;
- receivables that are overdue or not overdue but it is highly probable they will not be collected — 100% of the amount of receivables.

Revaluation write-downs for receivables and their reversals are charged to other operating expenses and operating revenue, respectively. Receivables in foreign currencies are recognized in books and valued on the balance sheet date according to the principles described in the “Foreign Currency Transactions” section.

Receivables whose maturity exceeds 12 months are recognized as “other fixed assets” in the balance sheet.

Other current and fixed assets

Other current assets include prepayments. This category includes expenses incurred which constitute deferred costs. Prepayments are initially recognized in the amount of expenses incurred. On the balance sheet date, they are valued according to the prudence principle. Prepayments are absorbed on the time basis or on the basis of the amount of service, depending on their nature. Where expenses are settled more than 12 months after the balance sheet date, part of the assets are recognized as “other fixed assets” in the balance sheet.

Cash and cash equivalents

Cash includes cash in hand and cash in bank accounts, including cash held in bank deposits. Cash equivalents include short-term, highly liquid investments, easily convertible into known amounts of cash and subject to insignificant risks of changes in value, including interest due on bank deposits. Cash and cash equivalents are valued at face value. Cash and cash equivalents in foreign currencies are recognized in books and valued on the balance sheet date according to the principles described in the “Foreign Currency Transactions” section. For the purposes of the cash flow statement, cash and cash equivalents are defined in the same manner as for the purposes of their recognition in the balance sheet.

Bank loans

Bank loans are recognized at amortized cost using the effective interest rate method. Authorized overdrafts for which no repayment schedules have been set are an exception. For such loans, the costs related to obtaining them and other fees are charged to financial expenses during the period when they are incurred. In other cases, financial expenses, including the fees due on repayment or forgiveness and the direct costs of contracting loans, are recognized in the profit and loss account using the effective interest rate method and increase the book value of the instrument, accounting for the repayments made during the current period.

Trade and other liabilities

Liabilities are commitments to provide performance, resulting from past events, whose value has been determined in a fair manner and which will consume the Group's already existing or future assets.

Liabilities are initially recognized at fair value. Where normal payment deadlines are applied that are accepted in practice in the market for similar transactions, fair value is deemed to be their face value arising on the date on which liability is recognized. On the balance sheet date, liabilities are measured at amortized cost and recognized in the balance sheet as long- and short-term liabilities.

Other liabilities include accruals. Such items include liabilities due for goods or services that have been received or provided, but have not been paid for, invoiced or formally agreed with the supplier, including the amounts due to employees, e.g. for outstanding leaves or bonuses. Despite the fact that in such cases the amount or date of payment for such liabilities has to be estimated, the degree of uncertainty is usually much lower than for provisions and therefore such items are classified as liabilities.

Liabilities in foreign currencies are recognized in books and valued on the balance sheet date according to the principles described in the “Foreign Currency Transactions” section.

Provisions

Provisions are established where the Company is under a legal or constructive obligation resulting from past events and where it is probable that the settlement of this obligation will necessitate an outflow of resources constituting economic benefits and where the amount of this obligation can be reliably estimated, but the amount of this obligation or the date when it becomes due are not certain. Where the effect of the time value of money is material, the amount of provision is determined by discounting expected cash outflows should to their present values using the discount rate that reflects the current market assessments of the time value of money and the risks specific to the liability in question. Increases in provisions based on the discounting method over time are recognized as borrowing costs.

If the Group expects that the costs included in the provision will be reimbursed in any manner, the reimbursement is recognized as a separate asset when, and only when, it is certain that reimbursement will be received.

Provisions for specific risks are only established where the outflow of economic benefits from the unit is probable and the estimate may be conducted in a reliable manner.

As concerns employee benefits, the Group is not party to any wage bargaining agreements or collective employment agreements. Moreover, the Group does not participate in any pension schemes managed directly by the Company or by external funds. The costs of employee benefits include salaries payable according to the terms and conditions of employment contracts concluded with individual employees and the costs of pension benefits (retirement severance pay) payable to employees pursuant to Labor Code provisions at the end of their employment period. Short-term employee benefit liabilities are valued according to general principles. Long-term benefits are estimated using actuarial methods. Due to the immaterial nature of these provisions, based on the materiality principle included in the International Financial Reporting Standards Conceptual Framework, the provisions for long-term benefits at the end of the employment period have not been recognized in the consolidated financial statements.

Incentives Scheme Management Options

Employees, entities cooperating with the Issuer and members of the management boards, employees and partners of ATM S.A. Group of Companies participate in incentive scheme, under which they gain the right to purchase ATM S.A. shares upon meeting certain conditions specified in the Incentive Scheme Regulations.

The incentive scheme is recognized according to IFRS 2 “Share-Based Payment" principles. The fair value of options was determined at the starting date for the scheme.

The fair value of options for a given period is charged to salary costs for the period and recognized in retained earnings.

The shares held by the sub-issuer which were not included in the incentives scheme as at the balance sheet date decrease the share capital registered.

Foreign currency transactions

Economic operations expressed in foreign currencies are recognized in financial statements as at the date on which they are conducted at the following exchange rates:

- the buying or selling rate applied by the bank whose services the Group uses — for foreign exchange sale or purchase transactions and receivables or liabilities payments;
- the average exchange rate determined for the currency in question by the National Bank of Poland on the date in question unless another exchange rate was specified in the customs declaration or another document which is binding for the unit — for other operations.

Assets and liabilities items expressed in foreign currencies are valued as at the balance sheet date according to the average exchange rate for the currency in question published by the National Bank of Poland for the balance sheet date. Foreign exchange differences arising from the settlement of transactions expressed in foreign currencies as well as arising from the balance sheet valuation of assets and liabilities items expressed in foreign currencies and concerning the Group's core business (operations) are recognized as financial expenses and revenue. Foreign exchange gains and losses are offset before presentation in financial statements.

The average exchange rates used to value the foreign exchange positions held by the Group in the periods included in the present consolidated financial statements were as follows:

Currency	Average National Bank of Poland rate as at 30.06.2008	Average National Bank of Poland rate as at 31.12.2007	Average National Bank of Poland rate as at 30.06.2007
EUR	3.3542	3.5820	3.7658
USD	2.1194	2.4350	2.7989

Leases

A lease is classified as a finance lease if agreement terms and conditions transfer substantially all potential risks and benefits resulting from the use of the lease object to the lessee. All other leases are classified as operating leases.

Assets used pursuant to finance lease agreements are treated as Group assets and are valued at the lower of the fair value of the asset at the acquisition date and the present value of the minimum lease payments. The liability arising to the lessor is presented in the balance sheet under other financial liabilities. Lease payment is apportioned between the interest and the principal so that the interest rate on the liability outstanding remains constant. Interest expenses are recognized as financial expenses in the profit and loss account.

Operating lease payments are recognized as an expense in the profit and loss account over the lease term on a straight-line basis. The benefits received and outstanding as an incentive to conclude an operating lease agreement are recognized in the profit and loss account over the lease term on a straight-line basis.

Impairment

At each balance sheet date, the Group reviews the balance sheet value of fixed assets to look for any indication that an asset may be impaired. If there is an indication that an asset may be impaired, then the asset's recoverable amount is estimated in order to determine the potential write-down. Where the asset does not generate cash flows that are largely independent of the cash flows from other assets, the analysis is conducted for the group of cash flow generating assets to which the asset in question belongs. The recoverable amount is determined as the higher of the following two values: the fair value less costs to sell or the value in use, which corresponds to the present value of estimated future cash flows discounted at a rate that reflects current market assessments of the time value of money and the risks specific to the asset (if any).

Where the recoverable amount is lower than the net book value of the asset or group of assets, the book value is reduced to match the recoverable amount. The resulting loss is charged to expense in the period during which impairment occurred.

Goodwill and intangibles in the development stage are tested for impairment annually.

Where impairment is reversed, the net value of an asset is increased to match the new estimated recoverable amount, which cannot be higher, however, than the net value of this asset that would have been determined if the impairment had not been recognized in previous periods. Impairment reversal is recognized as adjustment to expenses in the period during which reasons for impairment ceased to exist. Impairment loss for goodwill cannot be reversed.

Revenue

Sales revenue is recognized at the fair value of the consideration received or due and represents amounts due for products, goods and services provided under ordinary business activities, after deducting rebates, VAT and other sales-related taxes.

Revenue from sales with deferred payment is recognized after deducting discount.

Sales of products and goods are recognized when goods have been delivered and the significant risk related to delivery has been transferred to the buyer.

Revenue from the services provided is recognized based on the stage of completion. Where the result of the service cannot be determined reliably, the revenue arising from it is only recognized to the extent of the expenses incurred which the Group expects to recover. Where the sale price of the service in question includes the identifiable value of maintenance services that will be provided in the future, the amount corresponding to this part of revenue is deferred and recognized in the profit and loss account in the periods when the services in question are provided.

Interest income is recognized on a cumulative basis relative to the principal amount outstanding using the effective interest rate method.

Dividend income is recognized when the shareholders' right to receive payment is established.

Borrowing costs

Borrowing costs are recognized as financial expenses on the date they are incurred. The Group does not capitalize borrowing costs related to assets.

Taxation

Mandatory charges on the financial result include current tax (CIT) and deferred tax.

Current tax expense is calculated on the basis of the taxable profit (tax base) for a given fiscal year. Tax profit (loss) differs from accounting net profit (loss) due to the exclusion of non-taxable revenue and costs that are not tax-deductible as well as cost and revenue items that will never be subject to tax. Tax expense is calculated based on the tax rates applicable to the fiscal year in question.

Deferred tax is calculated using the balance method as the tax to be paid or returned in the future based on the differences between the balance sheet values of assets and liabilities and the corresponding tax values used to calculate the tax base.

The deferred tax provision is established for all positive temporary differences subject to taxation, while a deferred tax asset is recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses or tax credits can be utilized by the Group. The deferred tax asset or deferred tax provision is not recognized where the temporary difference arises from the initial recognition of goodwill or from the initial recognition of another asset or liability in a transaction that does not affect either the taxable or the accounting profit.

The value of deferred tax assets is subject to analysis on every balance sheet date. Where the expected future taxable profit is not sufficient to realize the asset or part thereof, it is written down.

Deferred tax is calculated using the tax rates that will be applicable at the time when the asset is realized or the liability becomes due. Deferred tax is recognized in the profit and loss account, except for cases where it is related to items recognized directly in equity. In this case, the deferred tax is also charged or credited directly to equity. On the balance sheet, income tax assets and liabilities are offset to the extent the liability is payable to the same tax office.

NOTE 3
REVENUE FROM SALES

	For the period 01/01-30/06/2008	For the period 01/01-30/06/2007
Revenue from sales of products	60 454	61 043
Revenue from sales of goods and materials	34 338	23 893
Total sales revenue	**94 792**	**84 936**
including:		
- to affiliates and subsidiaries	3 184	8

Main products

ATM S.A. provides ICT services related to the following areas:

- integrated ICT infrastructure systems;
- telecommunications and value-added services;
- business security solutions and services;
- application solutions;
- multimedia solutions and services.

Within the areas listed, the Company offers the products described below.

Integrated ICT infrastructure systems

ATM S.A. develops integrated information and communication technology (ICT) infrastructure systems including:

- **Transmission networks.** The Company provides comprehensive services including the auditing of existing customer infrastructure, the analysis of current and projected transmission requirements, planning network functionality and performance as well as designing, developing and deploying corporate and carrier networks. Integration projects often involve the development of data transmission security systems and ICT resource management systems.
- **Computer systems integration.** These services involve the design, hardware and software development and deployment of computer systems, including end-to-end data center development. The services include the integration of all required infrastructure components, from power supply systems and transmission cabling through physical security (fire extinguishers, access control, alarms, video surveillance) systems to servers, data storage, operating systems and utilities software. We are particularly skilled in building supercomputer systems based on latest parallel processing architectures: clusters and grids.

ATMAN — telecommunications and value-added services

Next generation telecommunications services provided by ATM S.A. include:

- **Internet access services.** The configuration and supervision of broadband Internet lines for telecommunications providers, Internet and Application Service Providers and corporate customers. The services offered ensure very high data transmission rates and reliability. Within the framework of Internet access services, traffic interchange between the providers and recipients of information and digital Web content takes place. The Company operates interconnect nodes in Warsaw.
- **Digital line lease services.** These are data transmission services provided in the entire territory of Poland, with very high transmission quality parameters. In Warsaw and Silesia, broadband data transmission services are provided with no bandwidth limitations via the Company’s own fiber optic network. Within the framework of these services, the Company enables data transmission through points of interconnection with networks belonging to major intercity and international data carriers.
- **Telecommunications outsourcing.** The design and configuration of complete telecommunications and IT networks based on the Company's own lines as well as lines leased from other providers. This also includes operational support for the customer’s entire ICT infrastructure of part thereof (including hardware support) pursuant to service level agreements. Telecommunications outsourcing services are provided, among other things, through 24-hour Network Management Center monitoring of the customer’s ICT infrastructure.
- **Collocation and hosting.** The Issuer has properly equipped and protected rooms where it provides collocation (i.e. renting space for hardware together with uninterruptible power supply and communications networks connection) and hosting services (i.e. renting the Company’s own servers, e.g. for the provision of Web services).

Next generation telecommunication services are often offered in conjunction with ICT systems integration services, in particular in connection with the development of network management systems, traffic billing, ensuring the security of transmitted data, the development of applications supporting business operations by means of a network and telecommunications infrastructure.

Business security solutions and services

ATM S.A. develops integrated solutions based on proprietary and third party software, mainly in the following areas:

- **Data Protection Center.** The Company has created an environment consisting of separate rooms, appropriate technical infrastructure and procedures. This is offered under the common Data Protection Center (*Centrum Ochrony Danych*) brand. Data Security Center services consist in the rental of backup front office and back office environments. Having signed the relevant agreement, the customer (e.g. bank) may resume their business at the Data Protection Center within guaranteed, short time. In this way, the customer is able to continue the operation of key services that was interrupted at their main office due to sudden, unforeseen events (an extensive failure, vandalism or an act of terror). The company also provides outsourcing services related to the operation of technical information protection systems (including the ongoing updating of software and protection rules as well as responding to incidents).

- **Technical information security solutions.** The company delivers and integrates state-of-the-art technical IT security systems: firewalls, Intrusion Prevention Systems, antivirus and antispam systems and systems preventing access to undesirable Web content. These systems may be additionally equipped with threat analysis software which leverages information collected from individual devices.
- **ATM BCP (Business Continuity Planning).** The company develops and deploys systems that support Business Continuity Planning. The system was developed on the basis of proprietary software. Major users of such systems include banks, for which the mitigation of operational risk constitutes an important factor allowing them to limit the capital requirements stipulated in the New Capital Accord (Basel II).

Application solutions

ATM S.A. develops integrated solutions based on proprietary and third party software, mainly in the following areas:

- **Proprietary software based solutions.** This primarily includes the **Atmosfera** system offered by the Company. The system supports the management of business processes, particularly with respect to services. In corporate (e.g. telecommunications providers') IT departments, it ensures compliance with the widely accepted ITIL (Information Technology Infrastructure Library) standard. An important product is the **SMaCS** system used to manage services in IP networks. This system ensures revenue from digital data transmission services (file download, video on demand and other value-added services) delivered to subscribers by telecommunications providers, including traditional telephone network, cable TV network and cell phone network operators. The solution guarantees that the services can only be used by authorized users and that each user is billed according to the rules set by the provider. Another solution targeted at providers is the LI (Lawful Interception) system used for the authorized interception of transmissions at the request of competent authorities.
- **Third party software based solutions.** ATM S.A. deploys IT systems based on applications developed by other manufacturers. In this field the Company is, among others, a Microsoft Gold Certified Partner.

Multimedia solutions and services

As a result of several years of research and development work, the Company has designed and is developing proprietary technology platforms used for the provision of various multimedia services. Currently, the Company offers the following services:

- **ATM IndoorTV.** The service involves development and support of an end-to-end POS TV (Point Of Sales Television) system. The service was awarded the 2006 Złota Antena (Golden Antenna) by the "Świat Telekomunikacji" monthly.
- **ATM InternetTV.** The service is based on the multimodule ATM InteractiveTV platform which was awarded the 2008 Złota Antena (Golden Antenna) by the "Świat Telekomunikacji" monthly and includes:
    - the subsystem for storing large quantities of multimedia data together with descriptions offering presentation and search capabilities;
    - the subsystem for adapting content format to transmission system requirements (encoding translation, protection of licensing rights) and the subsystem for managing the offer for subscribers, in particular the presentation of the content offered for download and service packages;
    - the transmission management subsystem and the content billing subsystem enabling various billing schemes — flat rate, for service usage time, for data volume downloaded, for playing a specific movie, etc.

ATM S.A. offers the aforementioned platform both to digital multimedia content (e.g. movies or music) providers and to operators of subscriber communications networks.

- The Company offers to deliver and integrate a fully functional multimedia content distribution system for the customer's sole use as well as to make its proprietary technology platform available. The functionality of the solution delivered may be tailored to specific requirements and ATM S.A. also offers to integrate the solution with the customer's other systems. Customers may also use multimedia content distribution related services provided by the Company using platforms developed for their own needs. The services may concern the full scope of technical distribution support (e.g. the comprehensive provision of video on demand services) or just the scope selected by the customer — e.g. only data format translation or the collection and provision of encoded material.

Industry segments

In the opinion of the Management Board of the parent undertaking, despite the fact that it is possible to identify different product lines with regard to sales revenue, the types of production processes and the distribution and service provision methods are closely linked and exhibit similar risks and returns on investment. Moreover, no transactions between individual product lines are conducted. As a consequence, when assessing the possibility of dividing the Group's operations into segments in a reliable manner, the Management Board decided that the Group's entire operations fall into the ICT services segment and therefore no segments have been distinguished.

Revenue from the sales of major products is as follows:

	For the period 01/01-30/06/2008	For the period 01/01-30/06/2007
Integrated ICT infrastructure systems	45 727	51 583
Telecommunications and value-added services	33 124	25 563
Business security solutions and services	9195	3970
Application solutions	4454	2490
Multimedia solutions and services	1 925	1 298
Other services	367	32
Total sales revenue	**94 792**	**84 936**

Geographical operation segments as at June 30, 2007 and 2008

	For the period 01/01-30/06/2008	For the period 01/01-30/06/2007
Domestic sales	94 082	84 427
Exports	710	509
Total sales revenue	**94 792**	**84 936**

NOTE 4
OPERATING EXPENSES

	For the period 01/01-30/06/2008	For the period 01/01-30/06/2007
Cost of goods sold	66273	65336
Selling costs	585	1 045
General and administrative costs	30688	18826
Total costs related to core operations	**97546**	**85207**
including:		4243
Amortization and depreciation	7308	
Consumption of materials and energy	15699	21675
Outsourcing	24081	24372
Taxes and other charges	1169	727
Salaries	19634	14883
Employee benefits	4310	3338
Other types of expenses	(1040)	(3 180)
Value of goods and materials sold	28093	19928
Change in stock position	**99254**	**85986**
	(1708)	(779)
	97546	**85207**

The depreciation of property, plant and equipment is based on the principles described in Note 2. Write-downs concerning inventories are determined based on the principles described in Note 2. Inventory write-downs are reversed when inventories to which the write-down relates are sold or the circumstances due to which the write-down was made no longer continue. The cost of inventory write-downs as well as their reversal are recognized in the profit and loss account as part of the cost of goods sold.

Employee costs

	For the period 01/01-30/06/2008	For the period 01/01-30/06/2007
Salary from employment contracts	18494	14382
Salary from fixed amount contracts	1140	498
Social insurance costs	3112	2670
Other benefits after the employment period	-	2
Charges to Enterprise Social Benefit Fund	201	55
Other employee benefits	997	614
	23944	**18221**

Salaries

Salary costs include salaries payable according to the terms and conditions of employment contracts concluded with individual employees. Salary costs also include bonuses, paid leave and share-based payment.

Employee benefits

Social insurance costs for group undertakings include pension, disability and accident insurance benefits as well as contributions to the Guaranteed Benefit Fund (*Fundusz Gwarantowanych Świadczeń*) and Labor Fund (*Fundusz Pracy*). In 2008 and 2007, those contributions amounted to 17.77% and 19.77% of the contribution calculation base determined pursuant to applicable laws, respectively.

Pension benefit costs include retirement severance paid to employees pursuant to the Labor Code. Group units are not parties to any pension schemes or collective employment agreements that would entail other regulations in this regard. Long-term benefits are estimated using actuarial methods. Due to the immaterial nature of these provisions, based on the materiality principle included in the International Financial Reporting Standards Conceptual Framework, the provisions for long-term benefits at the end of the employment period have not been recognized in the consolidated financial statements. In the periods presented, the Group paid no such benefits.

Some of the Group units situated in Poland are under the obligation to establish the Enterprise Social Benefit Fund (*Zakładowy Fundusz Świadczeń Socjalnych, ZFŚS*). Charges to this fund are recognized as Group operating expenses and the money allocated to the fund has to be blocked in a separate bank account. In the financial statements, fund assets and liabilities are presented in net terms. Due to the nature of the fund's operations, the fund's assets equal its liabilities. The amounts of funds in the Enterprise Social Benefit Fund as at June 30, 2008 and December 31, 2007 were PLN 123,000 and PLN 96,300, respectively.

Other employee benefits include training in order to enhance employee skills, health care and other benefits stipulated in the Labor Code.

Costs of research and development

	For the period 01/01-30/06/2008	For the period 01/01-30/06/2007
Costs included directly in costs related to core operations	-	-
Amortization costs related to deferred development work costs	1033	73
	1033	**73**

Development work costs are recognized as intangible assets after the conditions described in Note 2 have been met and according to the principles described in Note 2. The amortization of capitalized development work costs is charged to general and administrative costs. Costs incurred in the research work stage and expenditure that does not meet the conditions required in order to be recognized as assets are directly charged to the Group's operating expenses as general and administrative costs.

NOTE 5
OTHER REVENUE

	For the period 01/01-30/06/2008	For the period 01/01-30/06/2007
Profit from the sale of fixed assets	69	20
Reversal of receivable write-downs	13	29
Damages received	69	25
Subsidies received	108	-
Other	102	145
	361	**219**

Revenue and profit that are not directly related to the Group's operations are classified as other operating revenue. This category includes the subsidies received, profit from the sale of property, plant and equipment, the damages received as reimbursement of court fees, overpaid tax liabilities (except for corporate income tax) and damages received for losses to insured Company property.

Other operating revenue also includes reversals of receivable and inventory write-downs as well as write-downs related to property, plant and equipment impairment. Other operating revenue includes revenue from the sale of subsidiaries.

NOTE 6
OTHER COSTS

	For the period 01/01-30/06/2008	For the period 01/01-30/06/2007
Receivable write-downs	42	155
Donations given	8	35
Fines and penalties paid	1	-
Accident repair costs	15	-
Other	56	(17)
	122	**173**

Costs and losses related to the Group's operations, but not directly related to main types of operating expenses, are classified as other operating expenses. This category includes losses on the sale of property, plant and equipment, donations (both in cash and in kind) to other entities, including public benefit entities and the costs related to receivable write-downs and impairment write-downs.

NOTE 7
FINANCIAL REVENUE

	For the period 01/01-30/06/2008	For the period 01/01-30/06/2007
Interest on bank deposits	890	142
Interest on overdue payments	483	-
FX gains	3059	297
Other	138	390
	4570	**829**

Revenue from dividends received as well as interest on deposits and investments in various financial instruments are classified as financial revenue. As at the balance sheet date, i.e. June 30, 2007 and June 30, 2008, the Group had no forward transactions open. Financial operations also include foreign exchange gains.

NOTE 8
FINANCIAL EXPENSES

	For the period 01/01-30/06/2008	For the period 01/01-30/06/2007
Interest on bank loans	67	241
Budget interest	4	2
Interest on overdue payments	4	-
Finance lease costs	666	299
Other	108	88
	849	**630**

Borrowing costs and interest payable under finance lease agreements to which the Group is a party are classified as financial expenses.

The terms and conditions pursuant to which the Group has used external sources of funding (bank loans) have been presented in Note 22. Financial operations also include foreign exchange losses.

NOTE 9
INCOME TAX

	For the period 01/01-30/06/2008	For the period 01/01-30/06/2007
Statutory tax rate	19%	19%
Current income tax		
Current tax expense	134	196
Adjustments concerning previous years	-	-
	134	**196**
Deferred income tax		
Related to the origination and reversal of temporary differences	(293)	(87)
	(293)	**(87)**
Tax expense shown in the profit and loss account	**(159)**	**109**

Current tax expense is calculated on the basis of the tax regulations applicable. Pursuant to these regulations, tax profit (loss) is distinguished from accounting net profit (loss) due to the exclusion of non-taxable revenue and costs that are not tax-deductible as well as cost and revenue items that will never be subject to tax. Tax expense is calculated based on the tax rates applicable to the fiscal year in question. Since 2004, the rate applicable pursuant to amended regulations has amounted to 19%. Current regulations do not provide for any differences in tax rates during future periods.

With respect to income tax, the Group is subject to general regulations. The Group does not have a tax group status and does not operate in a Special Economic Zone, which would cause the principles for determining tax expense to differ from general regulations in this respect. However, according to the information included in Current Report No. 69/2007, the Council of Ministers issued a regulation enabling the extension of the Łódź Special Economic Zone to include the Warsaw subzone, Grochowska complex, where the Issuer operates. In 2008, a new company, Centrum Innowacji Sp. z o. o., was established, whose first activities will consist in the signing of a relevant agreement with the company managing the Łódź SEZ. Subsequently, the company is to prepare and implement investment projects related to the construction of new office facilities including the infrastructure and equipment necessary for innovative ICT companies to operate. We would ultimately like to establish an Innovation Center there, gathering companies whose operations concern modern ICT technologies in one place in Warsaw.

Both the tax and balance sheet years coincide with calendar years.

Differences between the nominal and effective tax rates are as follows:

	For the period 01/01-30/06/2008	For the period 01/01-30/06/2007
Gross pre-tax earnings	1576	(35)
Effective tax rate	9%	-21%
Tax at the effective rate	**134**	193
Tax at the statutory rate	299	(7)
Tax impact related to the different dates on which costs are considered tax-deductible	(1242)	19
Tax impact related to the different manners according to which revenue are recognized for tax purposes	32	(9)
Tax impact of tax losses deducted during the period	-	-
Tax impact of tax losses incurred during the period	1045	189
Tax at the effective rate	**134**	**193**

Due to temporary differences between the tax base and the profit (loss) shown in the financial statements, deferred tax is established. The deferred income tax as at December 31, 2007 and June 30, 2008 results from the items shown in the table below.

	Balance sheet		**Profit and loss acount**	
	End of period, June 30, 2008	End of period, December 31, 2007	For the period 01/01-30/06/2008	For the period 01/01-30/06/2007
Deferred tax provision				
Difference between the balance sheet and tax value of fixed assets	1333	878	455	241
Recognized service revenue	152	776	(624)	776
Damages receivable	-	2	(2)	2
Interest accrued	13	15	(2)	15
Foreign exchange gains	2	4	(2)	-
Deferred tax provisions acquired as a result of business combination	-			
Gross deferred tax provision	**1500**	**1675**	**(175)**	**1034**
Deferred tax assets				
Deferred payment revenue	320	504	184	(60)
Revenue calculated in time	60	-	(60)	-
Inventory write-downs	239	267	28	(116)
Receivable write-downs	83	110	27	(7)
Written-off financial assets under litigation	55	55	-	-
Provisions for service expenses	38	245	207	156
Provisions for employee benefits	1	-	(1)	-
Liabilities due to employees	51	65	14	(65)
Accruals	723	1003	280	(1003)
Subsidies received	19	11	(8)	(7)
Recognized interest	2	-	(2)	-
Tax losses to be deducted	1456	671	(785)	(503)
Deferred tax assets acquired as a result of business combination	-	-	-	-
Gross deferred tax assets	**3047**	**2931**	**(116)**	**(1605)**
Net tax assets (tax provision)	**1547**	**1256**		
Deferred income tax charge on profit			**(291)**	**(571)**

Deferred tax was established for all positive and negative temporary differences, including tax losses present as at June 30, 2008 at all companies of the Group.

NOTE 10
EARNINGS PER SHARE AND DIVIDENDS

Earnings per share

	For the period 01/01-30/06/2008	For the period 01/01-30/06/2007
Weighted average number of shares	36000000	3295642
Net profit for 6 months (PLN thousands)	2441	(21)
Net earnings per share (PLN)	0.07	(0.01)
Diluted net earnings per share (PLN)		

Basic earnings per share are calculated by dividing the net profit for the period attributable to ordinary Group shareholders by the weighted average number of ordinary shares issued that are outstanding during the fiscal year.

Parent undertaking shares are ordinary shares and no preference is attached to them concerning either voting rights or dividend payouts.

Dividends paid and declared

On June 5, 2008, the General Meeting of Shareholders of ATM decided to pay out PLN 19,440,000.00 in dividend for 2007, i.e. PLN 0.54 per share. The entire 2007 net profit, i.e. PLN 18,230,867.42, and PLN 1,209,132.58 from the capital reserve were allocated for this purpose. The dividend record date set for September 5, 2008, and the dividend payment date was set for September 19, 2008.

By the resolution of April 24, 2008, the KLK Sp. z o. o. Partners' Meeting distributed profit for 2007, distributing the amount of PLN 2,192,000.00 to the Company's shareholders. The dividend is to be paid out by December 31, 2008. Until the date of publishing this report the Company has paid out 50% of the declared dividend amount, including: PLN 233,000 to individual shareholders and PLN 862,900 to the corporate shareholder (ATM S.A.).

NOTE 11
GOODWILL

The goodwill recorded in the consolidated financial statements concerns the acquisition of the following undertakings:

	For the period 01/01-30/06/2008	For the period 01/01-30/06/2007
mPay Group	131	131
iloggo Sp. z o. o.	54	54
KLK Sp. z o.o.	10743	10743
Sputnik Software Sp. z o. o.	3087	2586
Impulsy Sp. z o. o.	2582	2163
	16597	**15677**

The entire goodwill was generated as a result of business combinations executed in 2006-2008.

This is the initial recognition of the business combination which will be completed within 12 months from the acquisition date, i.e. identifiable assets or liabilities will be recognized at fair value or adjusted to fair value. Therefore the goodwill recorded after the final recognition of business combination effects may be different.

NOTE 12
INTANGIBLE ASSETS

	For the period 01/01-30/06/2008	For the period 01/01-30/06/2007
Costs of development	17307	15636
Concessions and licenses	10756	8796
Perpetual usufruct rights	313	317
Other intangible assets	1654	963
	30030	**25712**
of which:		
Intangible assets used under finance lease agreements	818	

Development work is recognized as an asset and amortized based on the principles described in Note 2.

As at June 30, 2008, development work includes the following projects developed in-house:

PC TV Platform under the ATM InternetTV

An in-house project developed by the Company since 2005 — the development of an Internet TV technology platform to be used for broadcasting live TV programs and the distribution of content in the video on demand and download modes. The signal from the platform developed is to be received by PCs. The platform has been implemented in order to provide commercial services both by the Issuer itself and in collaboration with its subsidiary Cineman Sp. z o. o. — the implementation of the video on demand mode was completed in the first quarter of 2007.

The next stage was the incorporation of a live program distribution mode to the ATM InternetTV. Thanks to the creation of distribution modes for receivers other than PCs: TV sets (via an appropriate set-top box device) and cell phones, a wider platform known as ATM InteractiveTV was created. In 2008, Centrum Badawczo-Rozwojowe ATM-Lab Sp. z o.o company which is owned by ATM S.A., started its business activity. It took over the team responsible for ATM InteractiveTV project and continues developing this technology.

POS TV Platform under the ATM IndoorTV

From August 2005 to May 2006, the Company developed an in-house project called the SSM (Spread Screens Manager). Under this project, an ATM IndoorTV technology platform was developed for the remote management of point-of-sales advertising content broadcasting (POS-TV — Point of Sales Television). ATM S.A. installs terminals (computers with LCD screens and wireless links) at locations agreed with the customer, e.g. near checkout counters at stores or at travel agencies. Subsequently, the Issuer receives video content as well as other information from the customer and agrees the broadcasting scenarios. The content is distributed to terminals via a mobile communications network (GPRS/EDGE/UMTS). The terminals are controlled and the proper execution of scenarios is supervised in the same manner. The service was awarded the 2006 Złota Antena (Golden Antenna) by the “Świat Telekomunikacji” monthly. It is a comprehensive service covering the lease of terminals (screens), communications network operation and access to the SSM platform.

ATM BCP (Business Continuity Planning)

Within the framework of another in-house project that was underway from June to December 2005, ATM S.A. developed the Atmosfera BCP — currently ATM BCP. The functionality of the product is gradually extended depending on the customers’ needs. The product addresses business continuity planning by supporting threat analysis and the development, updating and implementation of contingency plans. It meets the demand of the banking sector, assisting banks in satisfying the requirements of banking supervision recommendations related to the so-called New Capital Accord (Basel II).

Remote archive

From June 2007 onwards, Polish law will make it possible to maintain patients' files in electronic format only, provided that certain standards, *inter alia* concerning security, are met. The Issuer's long-standing experience in the development of ICT solutions leveraging state-of-the-art security technologies and systems contributed to the establishment in June 2006 of a department whose business objectives include the development of a modern remote medical archive and the marketing of this solution in the Polish medical market.

The remote archive is to enable the secure storage of medical images together with associated patient details and examination reports as well as remote access to the data. It will also provide statistics and search tools. The data are secure, electronic storage is cheaper and virtually instant access is possible. The unique advantage of this system is the possibility of remote access to examination data by authorized parties using any computer. The remote archive system is to enable easy migration, eventually becoming a module of the Electronic Medical File. Apart from disk storage, indexing systems are used that can store any data structures and communicate with other systems via software interfaces. This means that any establishment using the archive will be able to extend its system in any manner, using fully electronic patient files.

Voice over IP

In order to complement its existing range of services on offer, the Issuer introduced Internet telephony services: ATMAN Business.Voice and ATMAN IP.Voice. These are targeted at business customers as well as partners who wish to provide services to their customers. ATMAN Voice services consist in enabling voice calls based on the VoIP (Voice over IP) technology.

This enables voice traffic to be integrated with data transmission services by developing a single universal network that can carry any kind of traffic. The services offer traditional telephone functionality as well as the convenient management of the customer's phone account via a webpage and many additional functions such as conference calls, call forwarding, IVR, etc. The solution offered by the Issuer enables customers to reduce ICT service expenses, particularly those related to phone calls, and ensures the seamless transition from traditional phone services towards an entirely IP-based network.

Atmosfera IT Service Desk Suite

Since 2000, the Issuer has steadily developed the Atmosfera business process support system.

The system enables the streamlined organization and enhancement of user support processes as well as the implementation of the service-oriented approach in the IT industry. In December 2006, the Atmosfera Service Desk v. 5.0 system was certified by the Canadian Pink Elephant company as ITIL compliant in the Service Support area as the only Polish solution to date. ITIL, which stands for IT Infrastructure Library, is the most important IT service provision methodology. This certification allows the Issuer to effectively compete with global suppliers for major deployment projects concerning such systems.

The Atmosfera system operates, *inter alia*, at such companies as Polska Telefonia Cyfrowa sp. z o. o. (the operator of Era and Heyah mobile networks), Agora SA, PLL LOT SA, Netia SA, Telewizja Polska SA and P4 Sp. z o. o. (the operator of the Play mobile network). The overwhelming majority of system users upgrade it regularly, including subsequent organization processes in its scope. In 2007, more deployment projects are being executed.

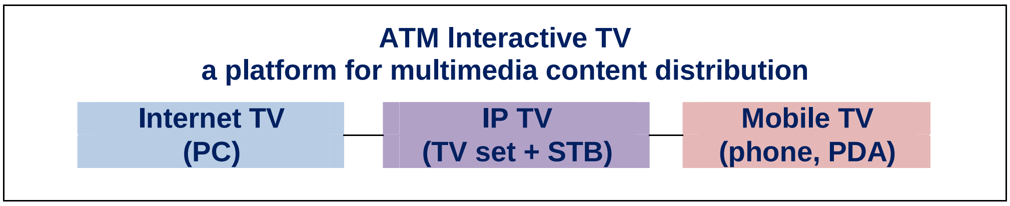
As a result of the growing demand for high-performance Service Desk systems from smaller organizations, this year the Issuer started to sell the Atmosfera system as a service within the framework of the ASP (Application Service Provider) model.

ATM MobileTV

ATM MobileTV is a technology platform developed by the Issuer, which enables the provision of multimedia services, including the broadcasting of video content, for mobile device users who use the data transmission services provided by cell phone networks.

The work on the development of the Internet TV technology platform conducted by the Issuer since 2005 has resulted in several functional extensions. The first version of the ATM InternetTV platform is already in operation and is used to provide video on demand services over IP networks. In the first half of 2007, work was underway on extending its functionality in order to enable the broadcasting of

live TV programs. The signal from this platform can be received by PCs. Work is also underway on the further development of this line of solutions (which are offered under the ATM InteractiveTV brand — see diagram below) which will enable broadcasting for receivers other than PCs: TV sets (via an appropriate set-top box device) and cell phones. The development plans drawn up assume the gradual implementation of subsequent modules in 2008.



The work has been conducted within the framework of the “Technology platform for next generation mobile services (mobile VOD, theme channels, enhanced user interaction)”, which has received financing under the Improvement of the Competitiveness of Enterprises Sectoral Operational Program 1.4.1. In 2008, Centrum Badawczo-Rozwojowe ATM-Lab Sp. z o.o company which is owned by ATM S.A., started its business activity. It took over the team responsible for ATM InteractiveTV project and continues developing this technology.

mPay mobile payments system

ATM S.A. has formed a consortium with its subsidiary mPay S.A. and is among the companies working on the “mPay mobile payments system” research and development project, which has received financing under the Improvement of the Competitiveness of Enterprises Sectoral Operational Program 1.4.1. Within the framework of the project, scenarios are being developed with regard to the handling of various types of payment acceptors, methods for detecting fraud attempts and protecting against them are being perfected, and the user interface is being designed.

The share of development work underway in overall capitalized cost of development work is presented below:

	For the period 01/01-30/06/2008	For the period 01/01-30/06/2007
Impulsy software	1530	579
Sputnik software	1028	830
mPay platform — integration module	144	-
ATM Services software	37	4
iloggo patents	16	-
PC-TV platform	-	3118
mPay platform	-	2220
Atmosfera platform	-	624
SMaCS Platform	-	323
Network monitoring	-	178
	2755	**7856**

The costs of the aforementioned projects were tested for impairment as at the balance sheet date. No impairment concerning these expenditures was identified as per the procedures followed.

Concessions and licenses concern primarily licenses for computer systems and software tools used in the Group’s operations.

As at June 30, 2008, there were no impairment write-downs concerning intangibles.

Changes in the net amount of intangibles are presented in the following tables.

Movements in the amount of intangible assets during the period from January 1 to June 30, 2008

	Costs of completed development works	Concessions and licenses	Perpetual usufruct rights	Other intangible assets	Total
Gross value					
Data as at January 1, 2008	**8404**	**11288**	**321**	**1210**	**21233**
Increases:					
- acquisition	342	486	-	834	1662
- developed in-house	7256	2815	-	-	10071
- acquired as a result of business combination	-	-	-	-	-
Decreases:					
- sale	-	-	-	-	-
- liquidation	-	14	-	-	14
Data as at June 30, 2008	**16002**	**14575**	**321**	**2044**	**32942**
Write-offs					
Data as at January 1, 2008	**623**	**2492**	**4**	**248**	**3367**
Increases:					
- depreciation	827	1341	4	142	2314
- impairment	-	-	-	-	-
- acquired as a result of business combination	-	-	-	-	-
Decreases:					
- sale and liquidation	-	14	-	-	14
Data as of June 30, 2008	**1450**	**3819**	**8**	**390**	**5667**
Net as at June 30, 2008	**14552**	**10756**	**313**	**1654**	**27275**

Movements in the amount of intangible assets during the period from January 1 to December 31, 2007

	Costs of completed development works	Concessions and licenses	Perpetual usufruct rights	Other intangible assets	Total
Gross value					
Data as at January 1, 2007	**3753**	**5437**	**-**	**-**	**9190**
Increases:					
- acquisition	14704	6228	-	912	21844
- developed in-house	-	-	-	-	-
- acquired as a result of business combination	-	11	321	340	672
Decreases:					
- sale	-	6	-	42	48
- liquidation	1	382	-	-	383
- transfers	10052	-	-	-	10052
Data as at December 31, 2007	**8404**	**11288**	**321**	**1210**	**21223**
Write-offs					
Data as at January 1, 2007	**172**	**1664**	**-**	**-**	**1836**
Increases:					
- depreciation	452	1215	-	67	1734
- impairment	-	-	-	-	-
- acquired as a result of business combination	-	-	4	191	195
Decreases:					
- sale and liquidation	1	387	-	10	398
Data as of December 31, 2007	**623**	**2492**	**4**	**248**	**3367**
Net as at December 31, 2007	**7781**	**8796**	**317**	**962**	**17856**

NOTE 13
FIXED ASSETS

	End of period, June 30, 2008	End of period, December 31, 2007
Fixed assets		
Land	341	341
Buildings and structures	66404	41199
Machinery and equipment	33272	25943
Means of transportation	6472	5687
Other	240	140
Fixed assets under construction	13671	13484
Advances for fixed assets under construction	-	-
	120400	**86794**
including:		
Fixed assets used under finance lease agreements	27997	17454

The Group has no liabilities to the State Treasury arising from the transfer of ownership title to real estate.

The Group uses fixed assets under finance lease agreements. The agreements concern:

- machinery and equipment with a value of PLN 28,263,000;
- means of transportation with a value of PLN 6,888,000;
- other with a value of PLN 75,000.

Finance lease liabilities are recognized in the balance sheet as other financial liabilities and divided into short- and long-term liabilities. Detailed information on material finance lease agreements has been included in Note 26.

In 2005, the Group sold a property situated at Grochowska21 a to Fortis Lease Sp. z o. o. under a sale-and-lease-back agreement. This lease agreement was classified as operating lease. Detailed information on operating lease agreements has been disclosed in Note 27.

As at June 30, 2008, there were no impairment write-downs concerning fixed assets.
Changes in the amount of fixed assets are presented in the following tables.

Movements in the amount of fixed assets from January 1, 2008 to June 30, 2008

	Land	Buildings and structures	Machinery and equipment	Means of transportation	Other	Total
Gross value						
Data as at January 1, 2008	**341**	**45996**	**37043**	**7612**	**253**	**91246**
Increases:						
- acquisition	-	26322	2103	360	83	28868
- acquired as a result of business combination	-	-	-	-	-	-
- other	-	-	8607	1115	50	9772
Decreases:						
- sale	-	-	104	235	-	339
- liquidation	-	-	106	25	20	151
- finance lease expiry	-	-	-	-	-	-
- donations	-	-	-	-	-	-
- other	-	-	-	-	-	-
Data as at June 30, 2008	**341**	**72318**	**47543**	**8827**	**367**	**129396**
Write-offs						
Data as at January 1, 2008	**-**	**4797**	**11101**	**1925**	**113**	**17935**
Increases:						
- depreciation	-	1117	3319	625	33	5094
- impairment	-	-	-	-	-	-
- acquired as a result of business combination	-	-	-	-	1	1
Decreases:						
- sale and liquidation	-	-	151	195	20	366
- donations	-	-	(3)	-	-	(3)
- other	-	-	-	-	-	-
Data as of June 30, 2008	**-**	**5914**	**14271**	**2355**	**127**	**22667**
Net as at June 30, 2008	**341**	**66404**	**33272**	**6472**	**240**	**106729**

Movements in the amount of fixed assets from January 1, 2007 to December 31, 2007

	Land	Buildings and structures	Machinery and equipment	Means of transportation	Other	Total
Gross value						
Data as at January 1, 2007	**341**	**24042**	**26185**	**4234**	**200**	**55002**
Increases:						
- acquisition	321	22565	2327	696	54	25963
- acquired as a result of business combination	-	-	8436	1591	6	10033
- other	-	-	550	1351	-	1901
Decreases:						
- sale	-	611	341	184	-	1136
- liquidation	-	-	114	-	6	120
- finance lease expiry	-	-	-	76	-	76
- donations	-	-	-	-	-	-
- other	321	-	-	-	-	321
Data as at December 31, 2007	**341**	**45996**	**37043**	**7612**	**253**	**91245**
Write-offs						
Data as at January 1, 2007	**-**	**2897**	**6122**	**1013**	**25**	**10057**
Increases:						
- depreciation	-	2004	5113	965	89	8171
- impairment	-	-	8	3	0	11
Decreases:						
- sale and liquidation	-	104	145	56	1	306
- donations	-	-	3	-	-	3
- other	-	-	-	-	-	-
Data as of December 31, 2007	**-**	**4797**	**11101**	**1925**	**113**	**17936**
Net as at December 31, 2007	**341**	**41199**	**25943**	**5687**	**140**	**73310**

NOTE 14
OTHER FINANCIAL ASSETS

	End of period, June 30, 2008	End of period, December 31, 2007
Shares in other undertakings	80	80
(-) Impairment write-downs	-	-
	80	**80**

Other financial assets include shares in Górnośląskie Towarzystwo Lotnicze w Katowicach, giving a stake of 0.053% in the equity of KLK Sp. z o.o.

NOTE 15
OTHER FIXED ASSETS

	End of period, June 30, 2008	End of period, December 31, 2007
Guarantee deposits	86	63
Trade receivables	12336	13774
Prepaid maintenance costs	64	126
	12486	**13963**
of which payable within:		
from 1 to 2 years	11853	4619
from 3 to 5 years	352	8174
more than 5 years	281	446

Guarantee deposits include amounts retained by the Group's customers in relation to the services and goods delivered. In most cases, such deposits are retained for periods ranging from 1 to 5 years. Guarantee deposits are not indexed. Trade receivables include the part of trade receivables which the Group will receive at a date later than 12 months from the balance sheet date.

The receivables recorded as at December 31, 2007 and June 30, 2008 have payment dates of up to 2013. They are the result of deferred payment sales whose value has been measured at fair value and is equivalent to the present value of the payment. The installments receivable have been discounted using 12M WIBOR and the market margin based on the parent undertaking's lending margin. Interest is recognized as financial revenue for relevant periods using the effective interest rate method.

Deferred payment sales (deferred beyond the normal terms and conditions applied by the Group) concern incidental sales transactions. The Group has no policy concerning significantly longer payment terms or installment sale procedures.

Prepaid maintenance costs are prepayments related to maintenance services provided during subsequent periods whose contractual term is longer than 12 months from the balance sheet date.

NOTE 16
INVENTORIES

	End of period, June 30, 2008	End of period, December 31, 2007
Materials	2536	2641
Work in process	752	-
Goods	6610	5685
Receivable write-downs	(511)	-
	9387	**8326**

Inventories are valued based on the principles described in Note 2. Inventory write-downs and their reversals have been disclosed in Note 4. The effects of establishing and reversing write-downs are charged to the cost of goods sold as the cost of stocks that have been used up.

Group inventories serve as collateral for the loans extended to the Group. The amount of inventories constituting collateral under the ownership transfer agreement is presented in the table below:

	End of period, June 30, 2008	End of period, December 31, 2007
Transfer of ownership of inventories	-	-
Pledge on inventories	1153	1153
	1153	**1153**

NOTE 17
TRADE AND OTHER RECEIVABLES

	End of period, June 30, 2008	End of period, December 31, 2007
Trade receivables from related undertakings	134	4612
Trade receivables from other undertakings	38090	75956
Tax receivables	1104	953
Payments on account	17	114
Other receivables	1345	260
Receivables under litigation	135	-
Receivable write-downs	(524)	(664)
	40301	**81231**

Trade terms applicable to related undertakings have been presented in Note 30. Trade receivables do not bear interest and they are usually payable within 14 to 35 days. Receivables under litigation are written off in full.

The fair value of trade and other receivables does not differ significantly from their book values recorded in the balance sheet.

NOTE 18
OTHER CURRENT ASSETS

	End of period, June 30, 2008	End of period, December 31, 2007
Prepaid maintenance costs	735	1259
Subscriptions and other	540	959
Share issue costs	217	-
Other	232	-
	1724	**2218**

Other current assets include expenses related to deferred costs. In particular, these are prepaid service fees. These assets are charged to operating expenses on the time basis or on the basis of the amount of service, depending on their nature.

NOTE 19
CASH AND CASH EQUIVALENTS

	End of period, June 30, 2008	End of period, December 31, 2007
Cash in hand	52	306
Cash in bank	1262	69220
Short-term deposits	34418	230
	35732	**69756**

Cash in the bank bears interest at floating interest rates, which depend on the interest rate on overnight bank deposits. Short-term deposits have various maturities ranging from overnight to three months depending on current demand for cash and bear interest according to the interest rates agreed.

The fair value of cash and cash equivalents equals their balance sheet value.

NOTE 20
EQUITY

Core capital

	End of period, June 30, 2008	End of period, December 31, 2007
Registered share capital	34200	34200
Treasury shares under management option scheme, not taken up	-	-
Hyperinflationary adjustment	197	197
	34397	**34397**

Registered share capital includes:

Series	Number of shares	Face value	Registration Date	Dividend registration rights	Paid for by	Share type
A	36000000	34200000	5.12.2007		cash	ordinary

Face value per share (PLN): 0.95

Application of IAS 29 "Financial Reporting in Hyperinflationary Economies"

Pursuant to IAS 29 "Financial Reporting in Hyperinflationary Economies," the Group introduced a hyperinflationary adjustment based on monthly consumer price indices, amounting to PLN 197,000. The adjustment concerned the share capital of the Parent Undertaking. The entire share premium account was accrued after the hyperinflationary period, and therefore the hyperinflationary adjustment was not applied to this component of equity.

Incentive Scheme

Pursuant to Resolution No. 11/2008 of the Ordinary General Meeting of Company Shareholders of June 5, 2008, an Incentive Scheme for ATM S.A. Group of Companies employees was approved for the years 2008–2010. This resolution allowed also for the purchase by the Company of no more than 1,500,000 treasury shares needed in connection to the Scheme in the years 2008–2010, for an amount not exceeding PLN 13.5 million.

The Scheme is aimed at Company employees and partners, members of Management Boards and other ATM S.A. Group of Companies employees and partners.

Incentive Scheme participants have the right to purchase shares at face value from the Company (share purchase options).

The list of persons authorized to buy shares for each of the three periods is prepared by the ATM S.A. Management Board and approved by the Supervisory Board.

In subsequent stages the number of share purchase options may not exceed:
- 400,000 in 2008;
- 500,000 in 2009;
- 600,000 in 2010.

Unused options of a given period may be subsequently used in the remaining periods. In justified cases the number of options determined for a given period may be increased by no more than 15%, with the reservation that the total option limit may not exceed 1,500,000.

Based on the determined share purchase options, shares can be purchased by Incentive Scheme participants pursuant to an agreement concluded with the Company, which includes the following provisions:
- purchased shares shall be transferred to the investment account of the authorized person carried by the brokerage house indicated by the Company;
- the authorized person shall conclude an agreement with the brokerage house, according to which 80% of the purchased shares will be blocked (not available for sale or security),
- the purchased shares will be unblocked in the amount of 20% each year, starting from the date of their transfer to the investment account of the authorized person.

The Company has the right to repurchase and the authorized person has the obligation of selling shares blocked on investment account of the authorized person at face value if:
1) an employment contract concluded between the Group company and the Incentive Scheme participant or any other agreement pursuant to which the participant provides services or works for one of the companies of the Group is terminated or expires for any reason;
2) the participant seriously infringes his contractual obligations agreed upon in an employment contract or other civil law agreement pursuant to which the participant provides services or works for one of the companies of the Group;
3) the participant runs competitive activity with regard to the Company or one of the companies of the Group without a written consent of the ATM S.A. Management Board;
4) a legally valid prohibition to perform his/her works in the bodies of the companies or an interdiction of business activity is imposed on the participant;
5) the participant is sentenced for any of the offences mentioned in Art. 585-592 and 594 of the Code of Commercial Companies and Partnerships, offences listed in part X of the law on financial instruments trading of July 29, 2005 (Journal of Laws 2005, No. 183, item 1538), economic offences listed in Art. 296-306 of the Penal Code or any other offence whose committing is directly linked to the performance of his/her obligations as member of the management board of a capital company.

The number of share purchase options shall be applied to Company shares whose face value is PLN 0.95. In the case of a split of Company shares, these amounts will be increased in the same proportion as the mentioned split.

Ownership structure

The ownership structure of the Issuer's share capital as at June 30, 2008 was as follows:

Shareholder	Number of shares 30/06/2008	%	Number of shares* 31/12/2007	%
Tadeusz Czichon — Management Board Vice-President	5 904 000	16.40	5 904 000	16.40
Roman Szwed — Management Board President	3 635 984	10.10	3 635 984	10.10
Polsat OFE	3 580 920	9.95	3 580 920	9.95
ING Nationale-Nederlanden Polska OFE	3505 144	9.74	3505 144	9.74
AIG TFI	1 860 624	5.17	1 860 624	5.17
Millennium TFI	1 822912	5.06		
PKO TFI	1 778 347	4.94	1 917896	5.33
Other shareholders	13912069	38.64	15595432	43.31
	36 000 000	100	36 000 000	100

* The number of shares has been converted according to the number of shares held after the split of January 10, 2008.

Capital reserves

The Company establishes a capital reserve pursuant to its articles of association. Company profit, which may be distributed in subsequent periods or allocated to exceptional losses or other expenses, may be allocated to the capital reserve.

Retained earnings

	End of period, June 30, 2008	End of period, December 31, 2007
Retained earnings brought forward, of which:		
Statutory supplementary capital	10280	10020
Profit distribution (above the statutory amount)	-	-
IFRS implementation profits (losses)	2969	2969
Management option scheme profits (losses)	-	-
Consolidation profits (losses)	(6228)	690
Current period profit (loss)	2441	21068
	9462	**34747**

Retained earnings brought forward include the entire profit retained by the Company pursuant to the shareholders' decision as well as the effects of IFRS implementation and the recognition of management share options.

Pursuant to Article 396 (1) of the Code of Commercial Partnerships and Companies, supplementary capital should be established in order to cover losses. At least 8% of the profit for the fiscal year is allocated to the supplementary capital until it reaches at least one third of the share capital. This portion of supplementary capital (retained earnings) cannot be distributed among Shareholders.

NOTE 21
MINORITY CAPITAL

Minority capital applies to the following Group undertakings:

	End of period, June 30, 2008	End of period, December 31, 2007
KLK Sp. z o.o.	2349	2298
mPay Group	1989	2110

Sputnik Software Sp. z o.o.	780	624
ATM Services Sp. z o.o	337	260
Impulsy Sp. z o. o.	327	162
Cineman Sp. z o.o.	277	149
Iloggo Sp. z o.o.	63	59
	6122	**5662**

NOTE 22
BANK LOANS AND OTHER LOANS

	End of period, June 30, 2008	End of period, December 31, 2007
Bank loans	6181	2429
Other loans	-	100
	6181	**2529**
including:		
Long-term portion	1992	2283
Bank loans	1992	2283
Loans from shareholders	-	-
Short-term portion	4189	246
Bank loans	4189	146
Loans from shareholders	-	100
Bank loans and other loans due:		
within one year	4189	246
from 1 to 2 years	1164	1164
from 3 to 5 years	828	1119
more than 5 years	-	-
	6181	**2529**

Currency composition of loans

	End of period, June 30, 2008	End of period, December 31, 2007
PLN loans	6181	6181
	6181	**6181**

Average loan interest rates

	End of period, June 30, 2008	End of period, December 31, 2007
Interest rate on loans contracted by Group undertakings:		
Authorized overdrafts	7.53%	5.75%
PLN bank loans		6.30%

Detailed information on the debt related to these loans has been presented in tables below.

Specification of liabilities arising from bank loans as at June 30, 2008

	Base loan value			Short-term portion		Long-term portion				
Lender	Loan amount in '000 PLN	Loan amount	Loan currency	Loan amount in PLN	Loan amount	Loan amount in PLN	Loan amount	Interest rate	Repayment date	Security
Fortis Bank Polska SA (authorized overdraft)	15000	-	-	-	-	-	-	WIBOR1M plus bank margin	28.05.2009	- blank promissory note - statement of submission for enforcement proceedings
BRE Bank SA	8000	-	-	3934	-	1992	-	WIBOR1M plus bank margin	24.06.2022	- Mortgage amounting to PLN 8,000,000 and capped mortgage of up to PLN 1,760,000, - blank promissory note - assignment of insurance policy receivables
BRE Bank SA	545	-	-	255	-	-	-	WIBOR O/N plus bank margin	8.05.2009	- blank promissory note - Statement of submission for enforcement proceedings
	23545	**-**		**4189**	**-**	**1992**	**-**			

Specification of liabilities arising from bank loans as at December 31, 2007

	Base loan value			Short-term portion		Long-term portion				
Lender	Loan amount in '000 PLN	Loan amount	Loan currency	Loan amount in PLN	Loan amount	Loan amount in PLN	Loan amount	Interest rate	Repayment date	Security
BRE Bank SA in Katowice	8000	-	-	246	-	2283	-	WIBOR1M plus bank margin	24.06.2022	1) Mortgage amounting to PLN 8,000,000 and capped mortgage of up to PLN 1,760,000, 2) blank promissory note 3) assignment of insurance policy receivables
	8000	**-**		**246**	**-**	**2283**	**-**			

NOTE 23
PROVISIONS FOR LIABILITIES

	End of period, June 30, 2008	End of period, December 31, 2007
Provision for warranty repairs	-	127
Provisions for maintenance costs	139	55
Bonus provisions	-	472
General risk provisions	-	5
Provisions for balance sheet audit	-	63
Provisions for bank guarantee costs	7	2
Provisions for pension benefits	6	3
	152	**727**
of which:		
Long-term portion		
Provisions for maintenance costs	87	127
Provisions for expenses	-	51
Provisions for bank guarantee costs	5	5
Provisions for pension benefits	6	
	98	**183**
Short-term portion		
Provision for warranty repairs	-	55
Provisions for maintenance costs	52	-
Provisions for bank guarantee costs	2	2
Provisions for balance sheet audit	-	15
Bonus provisions	-	472
	54	**544**

The provision for warranty repairs is established on an annual basis and amounts to 0.1% of sales revenue — this has been the general level of actual costs of repairs over the years, with minor deviations.

NOTE 24
LONG-TERM TRADE LIABILITIES AND OTHER LIABILITIES

	End of period, June 30, 2008	End of period, December 31, 2007
Trade liabilities to related undertakings	6	-
Trade liabilities to other undertakings	-	-
Deferred payment sales interest	989	-
Subsidies for fixed asset financing	3144	3240
Provisions for bank guarantee costs	-	4
Other	3	-
	4142	**3244**
of which payable within:		
from 1 to 2 years	951	15
from 3 to 5 years	858	3232
more than 5 years	2333	1

The subsidies received for fixed asset financing concern the extension and upgrade of telecommunications infrastructure and the Collocation Center in Warsaw.

NOTE 25
SHORT-TERM TRADE LIABILITIES AND OTHER LIABILITIES

	End of period, June 30, 2008	End of period, December 31, 2007
Trade liabilities to related undertakings	312	926
Trade liabilities to other undertakings	22491	57146
Liabilities arising from taxes and social insurance	4012	12335
Advances received	98	29
Payroll liabilities	275	57
Other liabilities and accruals, including:	7005	10136
liabilities arising from bonuses	-	15
liabilities arising from outstanding leaves	188	188
settlements related to uninvoiced expenses	2482	7698
Subsidies	1109	1018
Deferred income	1640	-
Other liabilities	1586	1217
	34193	**80629**

Trade liabilities do not bear interest and they are usually payable within 7 to 60 days.

In 2007 and in the first half of 2008, the Group did not rely on a small group of suppliers. Only one supplier — Cisco Systems — exceeded a 10% threshold of overall purchases (its share of the Group's overall purchases in 2007 amounted to 28.45%, and in the first half of 2008 it was 37.25%). Considering the stable position of Cisco as a global leader in the IT technology market, and considering the highly successful progress in cooperation, also supported by certification requirements, this reliance is not considered to pose a significant risk of supplier concentration. As at December 31, 2007, liabilities to this supplier came to PLN 17,856,000; as at June 30, 2008, they were PLN 12,204,000.

NOTE 26
OTHER FINANCIAL LIABILITIES

	End of period, June 30, 2008	End of period, December 31, 2007
Liabilities arising from dividend payouts	19440	-
Liabilities arising from finance leases	22524	20413
Liabilities arising from financing of receivables	8537	-
Other	167	-
	50668	**20413**

Detailed information concerning liabilities arising from finance leases are presented below:

	End of period, June 30, 2008	End of period, December 31, 2007
Value of liabilities arising from finance leases due within:		
- one year	7317	5601
- two to five years	17468	10966
- more than 5 years	-	3846
	24785	**20413**
Future interest expenses (-)	(2261)	(1753)
Present value of future liabilities	22524	18660
of which:		
Amounts due within the next 12 months (included in short-term liabilities)	6352	4942
Amounts due after more than 12 months, within:	16172	13743
- two to five years	16172	10082
- more than 5 years	-	3661

Finance lease agreements concern machinery and equipment, means of transportation and software licenses constituting intangible assets.

As at June 30, 2008, the Group was party to 155 agreements, under which it leased fixed assets with a total net value of PLN 27,997,000 as at that date.

The lease agreements were concluded for periods ranging from 36 to 72 months and are denominated in EUR, JPY or in PLN. The agreements provide neither for contingent rents nor any subleases. Most agreements include a clause concerning the purchase option at a contractual price lower than the fair value of the leased asset. The agreements do not involve any constraints for the lessee apart from the payment of liabilities arising from lease installments and the general terms and conditions concerning the proper use of leased assets.

NOTE 27
OPERATING LEASES

Operating lease liabilities — Group as lessor

With regard to operating leases, the Group is party to no material agreements as a lessor. Lease agreements include mainly agreements concerning the lease of office space to other undertakings.

These are both definite and indefinite term agreements. Every agreement includes a clause enabling each party to terminate it with a contractual period of notice not exceeding three months. The Group does not include any clauses concerning contingent rents or the possibility of concluding sublease agreements in such agreements. The agreements concluded by the Group do not include any obligation to conclude a new agreement for a similar period and equivalent asset where the original agreement is terminated. In some cases, the agreements provide for the lessee’s obligation to submit a deposit, but these payments are treated as returnable deposits and are not subject to indexation.

Due to the nature of the agreements concluded, the Group — insofar as it is the lessor with regard to operating lease — is not party to any irrevocable agreements.

Operating lease liabilities — Group as lessee

During the period covered by the consolidated financial statements, the Group as the lessee was party to operating lease agreements concerning:

- the lease of property;
- the lease of telecommunications infrastructure;
- the lease of space used in connection with the location of telecommunications equipment.

Apart from property leases, the Group is party to no material operating lease agreements. Due to the nature of the agreements concluded, the Group — insofar as it is the lessee with regard to operating lease — is not party to any irrevocable agreements.

Property leases include the Telecommunications Center situated in Warsaw at Grochowska 21a. Pursuant to the agreement concluded on December 21, 2005 and the annex to the agreement of March 7, 2006, the ATM S.A. parent undertaking sold a property, which included the right of perpetual usufruct of land and buildings constructed on this land, to Fortis Lease Polska Sp. z o. o., and subsequently concluded an operating lease agreement concerning this property. Lease payments are denominated in EUR and divided into 180 monthly installments (15 years). The last installment will be payable on January 21, 2021. The total amount of payments during the agreement term will be EUR 9,872,000.

The fair value of the leased asset after the expiration of the agreement has been determined to be EUR 5,573,000, of which perpetual usufruct of land EUR 1,613,000 and the value of buildings EUR 3,961,000.

Pursuant to the agreement, after the expiry of the primary term of the lease agreement the lessee or an undertaking indicated by the lessee may purchase the leased asset for the price equal to the aforementioned final fair value determined.
Where this option is not taken advantage of, the lessee will pay to the lessor a handling fee amounting to 7% of the original value of the leased asset, which original value was determined to be EUR 10,660,000.

Pursuant to the agreement, the lessee does not have the right to terminate it, except in circumstances where a change concerning lease installments or changes in the lessee's ownership structure cause the agreement to cease to be cost effective. In such cases, the lessee will additionally have the right to demand that a purchase agreement be concluded concerning the lease asset, for a price equal to the sum of the portion of the installments outstanding until the end of the lease period and the final value.

The lease of telecommunications infrastructure includes a fiber optic network segment. Pursuant to the agreement concluded on December 28, 2006 and the annex to the agreement of January 30, 2007, the ATM S.A. parent undertaking sold a fiber optic network segment to ATM PP Sp. z o. o., and subsequently concluded an operating lease agreement concerning this asset. Pursuant to the agreement of January 22, 2008, the Issuer purchased the telecommunications infrastructure back; the repurchase price was PLN 20,381,000. The amount of the last lease installment due in 2008 was PLN 193,000. The transaction value follows from the previously executed lease agreement and is equal to the leased subject matter residual value (cost price less all paid principal installments) as at transaction date. Transaction finalization and thus termination of sale-and-lease-back agreement is related to connection of the property situated in Warsaw at Grochowska 21 a to the Łódź Special Economic Zone, Warsaw subzone, Grochowska complex, and also to the planned investment being construction of Centrum Innowacji ATM on the a/m property. Therefore, acquisition of a vital component of fiber optic infrastructure connecting the territories joining Łódź Special Economic Zone with Warsaw downtown was necessary.

The expenses related to minimum lease payments for property leases during individual periods were as follows:

	For the period 01/01-30/06/2008	For the period 01/01-31/12/2007
Expenses related to property operating lease	1464	3013
Expenses related to infrastructure operating lease	-	2698
	1464	**5711**

Minimum lease payments for property lease were as follows:

	End of period, June 30, 2008	End of period, December 31, 2007
One year or less	2206	2843
From one up to five years	8825	12394
more than 5 years	16730	25045
	27761	**40282**

NOTE 28
BUSINESS COMBINATIONS

As stated in Note 1, item 2, in the first half of 2008 the Issuer purchased shares in the following undertakings:

- On March 8, 2008, the capital of the Impulsy Sp. z o. o. company was increased by PLN 30,000 pursuant to the resolution of the Extraordinary Partners' Meeting by the establishment of 15 new shares. All new shares were taken over by ATM S.A. As a result, the Issuer's share increased from 72% to 78.47%.
- On March 26, 2008, ATM S.A. took up all shares in the newly established company named Centrum Innowacji ATM Sp. z o.o. with its registered office in Warsaw. The share capital of the newly established company amounts to PLN 50,000. ATM S.A. took up 1000 shares with the face value of PLN 50 each, worth PLN 50,000 in total, which constitutes 100 percent of shares in the company's initial capital. Centrum Innowacji ATM Sp. z o.o. was established with a view to the intended commencement of activity of ATM S.A. in the Łódź Special Economic Zone, Warsaw subzone, Grochowska complex. To make it reality, there is a need to assign this part of ATM S.A. operations, which is to be run solely in the Zone, to a separate company.
- The company was established to enable taking legal and formal steps to sign applicable agreements with the entity managing the Special Economic Zone to be able to run business in the Zone.
- On April 10, 2008 share capital increase was recorded at mPay International Sp. z o.o. The capital was increased pursuant to the resolution of the Extraordinary Partners' Meeting adopted on January 22, 2008. The capital was increased by PLN 2,000,000, i.e. from PLN 7,250,000 to PLN 9,250,000 by the establishment of 4,000 new shares at PLN 500 each. 2,400 shares were taken up by ATM S.A. and 1,600 by Henryk Kułakowski. Pursuant to the resolution of February 7, 2008, the newly established shares were paid up by March 31, 2008.
- On May 14, 2008, capital increase was recorded at mPay S.A. The capital was increased pursuant to the resolution of the Extraordinary General Meeting of Shareholders adopted on March 6, 2008, by way of private placement. The share capital was increased to PLN 6,900,000 (by PLN 1,400,000) through the issue of 2,800,000 series B shares with a face value of PLN 0.50 each. All shares from the new issue were offered to the mPay International Sp. z o. o. company.
- In the second quarter of 2008, the Issuer purchased 4,612 shares from Linx

Telecommunications B.V. employees under the option plan. Following the transaction, the number of shares held by ATM S.A. is 2,754,612, amounting to 21.67% of the Linx Telecommunications B.V share capital.

- On June 23, 2008 The Partners' Meeting decided to increase the capital of Cineman Sp. z o. o. by PLN 400,000, i.e. from PLN 600,000 to PLN 1,000,000 by the establishment of 800 shares at PLN 500 each. 408 shares were taken up by ATM S.A. and 392 by Monolith Films Sp. z o. o.

No business combination took place during the period covered by this report.

NOTE 29
CONTINGENT RECEIVABLES AND LIABILITIES

Contingent receivables

	End of period, June 30, 2007	End of period, December 31, 2006
Financial receivables under litigation	291	291
	291	**291**

As at June 30, 2008, contingent receivables included financial assets under litigation, i.e. receivables arising from the redemption of commercial bills. These receivables are subject to a damages action. In the view of the Company, ATM S.A. was misled by BWE S.A. as to the actual standing of the commercial bill issuer — the DANMAG S.A. company from Zielona Góra. Due to its poor standing, DANMAG S.A. was unable to redeem the commercial bills it had issued. The Court of Appeals decided to return the case to the Regional Court for re-examination. As at June 30, 2008, the case remained undecided.

Contingent liabilities

	End of period, June 30, 2008	End of period, December 31, 2007
To related undertakings:		
To other undertakings:		
1. Bank guarantees received:		
- performance bonds and tender bonds	3238	8080
2. Mortgage security:		
- bank loan security	18060	18060
3. Promissory notes:		
- endorsements concerning agreements related to EU project financing	2500	2500
- bank loan security	1178	
4. Pledges		
- endorsements to banks related to loans granted	1153	1153
	26129	**29793**

As at June 30, 2008, tender bonds and performance bonds included guarantees extended by BRE Bank SA amounting to PLN 1,821,000, by Bank Millennium S.A. amounting to PLN 906,000, and by DnB NORD Polska S.A. amounting to PLN 100,000.

In 2006 and 2007 ATM S.A. received subsidies from the Polish Entrepreneurship Development Agency in order to finance the development and modernization of its telecommunications infrastructure and the development of its Collocation Center. Two promissory notes for the amount of PLN 1,250,000 each are to guarantee the repayment of financial means in the case of failure to fulfill the liabilities resultant from the co-financing agreement.

NOTE 30
INFORMATION CONCERNING RELATED UNDERTAKINGS

Related undertaking details

The Group's related undertakings include:

1. **Undertakings in which the Group holds an equity stake**

   The group holds an equity stake in Górnośląskie Towarzystwo Lotnicze in Katowice (0.053%). During the periods covered by the consolidated financial statements, the Group did not conclude any transactions with this undertaking.

2. **Undertakings related to the Group of Companies**

   Apart from the undertakings in which the Group holds an equity stake, the undertakings related to the Group include those related through the Management Board members of the parent undertaking. These undertakings include:

   - A. Chalimoniuk i Wspólnicy, ATM S.J. — related through Mr. Tadeusz Czichon, who is one of the four partners in this undertaking, while also being the Vice-President of the Management Board of the parent undertaking (ATM S.A.) and being among the shareholders who hold more than 5% of shares in ATM S.A. (Note 20);
   - ATM PP sp. z o. o. — related through Mr. Tadeusz Czichon, who is the President of the Management Board of this undertaking and at the same time is its shareholder, holding around 25% of shares.

Sales to and purchases from related undertakings are made at normal arm's length prices. Outstanding liabilities and receivables at the end of the fiscal year are not secured and are settled in cash. Receivables from related undertakings are not covered by any guarantees, extended or received.

During the periods covered by this historical consolidated financial information, the scope of mutual transactions with related undertakings included:

- trade transactions including the purchase and sale of goods, materials and services;
- transactions related to the lease of telecommunications infrastructure.

The amount and scope of trade transactions has been presented in the table below:

Item	PLN '000			
	Receivables	Liabilities	Revenue	Purchases
ATM Services Sp. z o.o.	127	75	428	762
mPay International Sp. z o. o.	1,365		302	
Iloggo Sp. z o. o.	18		2	15
mPay SA	2,317		292	
Rec-order Sp. z o.o.	18		5	
Cineman Sp. z o. o.	19		40	
KLK Sp. z o.o.	388	1,229	1,227	2,067

ATM PP Sp. z o.o.	1	53	67	21,258
A. Chalimoniuk i Wspólnicy, ATM S.J.		24	1	455
Sputnik Software Sp. z o. o.	623	23	10	19
CBR ATM Lab Sp. z o. o.	129	76	673	1,174
Impulsy Sp. z o. o.	4		7	
LinxTelecommunication B.V.	110	8	231	59
Total	**5,119**	**1,488**	**3,285**	**25,809**

During the periods covered by the consolidated financial statements, transactions with related undertakings involved no write-downs concerning receivables from those undertakings and no receivables were written off.

3. Directing and supervisory body members and their close family members

Other Group related entities include members of Parent Undertaking directing and supervisory bodies (including management) and persons who are their close family members (i.e. partner and children, the partner's children and persons dependent on the member or his or her partner) as well as other businesses in which members of the parent undertaking Management Board perform management duties or are shareholders.

Senior management remuneration

Management remuneration includes the remuneration of the Management Board, Supervisory Board and Directors of the Parent Undertaking. The remuneration paid to these persons, divided into main benefit types, has been presented in the table below:

	End of period, June 30, 2008	End of period, December 31, 2007
Short-term employee benefits	1907	3419
Benefits after the employment period	-	-
Management options	-	-
Severance pay	-	-
	1907	**3419**

The short-term employee benefits referred to above concern:

	End of period, June 30, 2008	End of period, December 31, 2007
Management Board	1334	900
Supervisory Board	450	246
Directors and managers	123	2768
	1907	**3419**

Apart from the benefits listed above, the management receives no other benefits. During the periods covered by the present consolidated financial statements, no loans, guarantees or endorsements were extended to the management.

Contracts with parent undertaking Management Board members include non-competition clauses which hold for three months after they leave their posts. Under this provision, the parent undertaking is obliged to pay a compensation amounting to three monthly salaries. Twice that amount is to be repaid if the non-competition clause is breached.

NOTE 31
FINANCIAL INSTRUMENTS

1. Capital risk management

The Group manages its capital in order to ensure that its undertakings will be able to continue as going concerns, while at the same time maximizing their profitability by optimizing their debt-to-equity ratios.

The Group regularly reviews its capital structure. Such reviews involve the analysis of cost of equity and the risk related to its individual categories. Based on the analyses, appropriate measures are planned in order for the Group to maintain a proper capital structure. The most important factors subject to analysis are:

- bank loans — disclosed in Note 22;
- cash and cash equivalents — disclosed in Note 19;
- parent undertaking shareholders' equity, including shares issued, capital reserves and retained earnings — disclosed in Notes 20 and 10.

The dividend policy is among the risk management measures. According to this policy, investors should receive an annual dividend of not less than interest on bank deposits. The Company intends to pay an annual dividend in the amount of not less than the EURIBOR rate for annual deposits on the last day of the fiscal year, additionally increased by 0.5%, and multiplied by the Company's listed value in the last month of the year. The new dividend policy will operate independently of the Company's demand for capital required to sustain its high growth rate in the future and to finance long-term investments and acquisitions. Dividend is payable to shareholders who have already entrusted the Company with their money. On the other hand, offers to take up shares while increasing the Company's capital will be extended to new investors or existing investors who plan to extend their capital involvement in the Company.

2. Financial risk management objectives

Principal financial instruments used by the Group include bank loans (Note 22), finance lease agreements (Note 26), cash and deposits (Note 19) and securities investments (Note 14). The main purposes of these instruments include raising funds for the Group's operations, liquidity risk management and short-term investment of surplus liquid funds. The Group also uses other financial instruments, including trade receivables and liabilities (Notes 15, 17, 24 and 25), which, however, are directly related to its operations.

The main risks arising from the Group's financial instruments include credit risk and liquidity risk as well as interest rate risk and foreign exchange risk. The exposure to these risks and their causes have been presented in the items below.

The Group has no assets or liabilities measured at fair value, held for trading, embedded or derivative financial instruments. The Group does not use hedge accounting, and during the period covered by the consolidated financial statements it neither extended loans nor was party to financial guarantee contracts.

During 2007 and 2008:

- no financial instruments were reclassified between categories within the meaning of IAS 39;
- the Group did not dispose of its financial assets in a manner that would prevent their removal from the balance sheet despite their transfer to a third party;
- the Group received no financial or non-financial assets within the framework of enforcement proceedings concerning security for its financial assets.

3. Material accounting policies

A detailed description of material accounting policies and methods used, including the criteria for recognition, basis for valuation and policies concerning the recognition of revenue and costs with regard to individual financial asset, financial liability and capital instrument categories has been presented in Note 2 to the financial statements.

4. Financial instrument categories and classes

Financial assets and liabilities broken down into categories (as per IAS 39) were as follows:

	30/06/08 PLN'000	**31/12/07 PLN'000**
Financial assets		
At fair value through profit or loss	-	-
Derivatives in hedging relationships	-	-
Investments held to maturity	-	-
Own receivables (including cash and cash equivalents)	86377	164161
Financial assets available for sale	80	80
Financial liabilities		
At fair value through profit or loss	-	-
Derivatives in hedging relationships	-	-
Financial liabilities	70341	100799
Financial guarantee contracts	-	-

Taking into account the nature and specific features of the financial instrument categories presented above, the following classes of instruments have been distinguished within individual groups:

With regard to the own receivables category

	30/06/08 PLN'000	**31/12/07 PLN'000**
Receivables from related undertakings (Note 17)	134	4612
Short-term receivables from other undertakings (Note 17)	38090	75956
Long-term receivables from other undertakings (Note 15)	12422	13837
Cash and cash equivalents (Note 19)	35731	69756
Total	**86377**	**164161**

With regard to the financial liabilities category

	30/06/08 PLN'000	**31/12/07 PLN'000**
Liabilities arising from loans (Note 22)	14718	2592
Liabilities to related undertakings (Note 25)	312	926
Short-term liabilities to other undertakings (Note 25)	32781	78684
Long-term liabilities to other undertakings (Note 24)	6	0
Liabilities arising from finance leases (Note 26)	22524	18660
Total	**70341**	**100799**

With regard to the Financial assets available for sale category the Group holds shares in other undertakings amounting to PLN 80,000 (Note 14), including 0.053% of shares in Górnośląskie Towarzystwo Lotnicze in Katowice. This is not a listed undertaking.

5. Fair value of financial instruments

According to the estimates of the Management Board of the parent undertaking, the values of individual financial instrument classes listed above do not differ significantly from their fair values; for shares in Górnośląskie Towarzystwo Lotnicze in Katowice, no reliable method exists for estimating their fair value.

6. *Credit risk*

Credit risk is the risk of a counterparty defaulting on its obligations, thus exposing the Group to financial losses. The Group operates a policy of concluding transactions exclusively with counterparties whose creditworthiness has been verified; when required, appropriate security is obtained in order to mitigate the risk of financial losses caused by a breach of contractual terms. The Group's exposure to the risk related to the counterparties' credit ratings is subject to ongoing monitoring and the aggregated value of transactions concluded is divided among approved counterparties. Credit risk control is enabled by limits, which are verified and approved annually by the Management Boards of Group companies.

The Group is not exposed to significant credit risk related to a single counterparty or a group of similar counterparties. There is no risk concentration linked to the existence of a single purchaser or a group of related purchasers from whom the Group would obtain revenue in excess of 10% of the total revenue amount, either.

The Group mitigates credit risk by concluding transactions only with creditworthy undertakings. Before cooperation is initiated, internal preliminary verification procedures are followed. Moreover, since receivable amounts are monitored on an ongoing basis, the Company's exposure to the risk of receivables becoming uncollectible is insignificant.

As concerns the Company's financial assets, including cash, deposits and investments in assets available for sale, the Company's risk is directly related to the other party's inability to pay, and the maximum exposure to this risk equals the balance sheet value of the instrument in question.

As at June 30, 2008, financial asset impairment write-downs came to PLN 524,000; as at December 31, 2007, they were PLN 664,000. These write-downs concern own receivables from other undertakings, of which PLN 135,000 are receivables currently under litigation, and PLN 389,000 are receivables which will likely prove uncollectible according to the Group's estimates.

As at June 30, 2008 and December 31, 2007, no financial asset items were present whose repayment terms had been renegotiated.

No significant security has been established for the benefit of the Group arising from the financial assets held by the Group.

7. Liquidity risk

The Group has developed an appropriate liquidity risk management system for the purposes of managing short-, medium- and long-term funds of the Group and in order to satisfy liquidity management requirements. The Group manages its liquidity risk by maintaining an appropriate amount of capital reserves, by taking advantage of banking services offered and using reserve credit facilities, by monitoring forecasted and actual cash flows on an ongoing basis and by analyzing the maturity profiles of its financial assets and liabilities.

NOTE 32
EVENTS AFTER THE BALANCE SHEET DATE

None.

NOTE 33
DIFFERENCES IN COMPARISON TO PREVIOUSLY PUBLISHED FINANCIAL STATEMENTS

No significant events pertaining to previous years occurred that would have to be included in consolidated financial statements for the fiscal year 2008. The comparable data included in 2008 statements do not differ from the data included in published 2007 statements.

NOTE 34
AVERAGE EMPLOYMENT INFORMATION

Number of employees	30.06.2008	31.12.2007
Manual workers	22	15
Non-manual workers	438	403
Total employment	460	418

HALF-YEAR MANAGEMENT BOARD REPORT ON THE ACTIVITIES OF THE ISSUER'S GROUP OF COMPANIES

1. Information stipulated in accounting regulations

1.1. Events with significant impact on the undertaking's activities which occurred in the first half of the fiscal year and also afterwards, until the date on which financial statements were approved.

In the period discussed the Company was successfully implementing its strategy of strengthening its position on the telecommunications market. The development of metropolitan area networks was continued and the national data communication network was upgraded, among others via the implementation of the MPLS 10 Gbps technology based on Cisco solutions. The same throughput is also introduced in the first international links — a 2x10 Gbps link to Frankfurt was put into operation.

An investment in the "southern ring" of ATMAN network connecting Łódź, Katowice, Kraków and Warsaw was completed. The new network is based on fiber optic links and DWDM devices, that enable to transmit up to 160 Gbps using just one fiber pair, with upgrade potential up to 400 Gbps. Completed investment and the ongoing works on the northern ring lay a stable foundation for ATMAN to make the business grow and give a possibility to use communications infrastructure necessary to meet quickly growing customer needs. Such large bandwidth helps serve not only the growing Internet traffic, but also provides for transmitting digital TV programs.

Telecommunications services provided as part of the contracts concluded in this period already make use of the great potential of the restructured IP backbone and the newly implemented 10 Gigabit Ethernet technology. The Company enabled for use the first subscriber long-distance 10 Gbps links.

Among new Company customers, the global financial institution **AIG Bank Polska, Inotel** — a carrier which has been connected to the AC-X interconnect node, the **Capgemini** international consultancy and the **Goldenline.pl** community portal are particularly worth mentioning. It should be noted that the Company has developed its collaboration with the international carrier **Interoute**, which not only brings financial profits, but also confirms the high quality and competitiveness of telecommunications services offered by the Company. The Company also signed a contract for collocation services with **eCard**. ATM became a link provider for **ASTER** Sp. z o.o. — one of the major Polish carriers, providing triple play services. Another contract for communications services awarded in tender is a new link for **Komenda Wojewódzka Państwowej Straży Pożarnej in Poznań**, provincial national fire brigade headquarters. The contract will be performed based on a newly built fiber optic transmission link, being part of ATMAN metropolitan area network in Poznań. In the future, communication services provided to the Great Poland's Fire Brigade may be expanded with Internet access and VoIP. The Company also became communications services provider for **Empik Sp. z o.o.**, for which ATM provides collocation services at ATMAN Data Center and powerful Internet access of 50 Mbps.

The role of the completed security audit procedure for ATM communications services confirmed by ISO/IEC 27001:2005 (ISMS) in winning new contracts should not be underestimated.

Online broadcasting of the 2008 European Football Championships was an important marketing, technology, business and media event that took place in the first half of this year. ATM S.A. was among the three technology partners of the project launched by the Polsat television network, which was represented by the Redefine company.

The other two are TP S.A. and Netia S.A. TP and Netia broadcasted the championships for their subscribers, and ATM for subscribers of all the remaining Polish operators. This was possible for ATM due to its own infrastructure facilitating access to the networks of other operators (ATMAN), as well as to its TV channel and video material distribution system forming part of the ATM InteractiveTV solution. More than 80,000 users registered on the Company's Euro 2008 Web site in order to gain access to live broadcasts and video-on-demand services. From the business viewpoint, the project made it possible to test the ATM InteractiveTV platform under realistic conditions and optimize its operation as well as to adjust the technical parameters of the telecommunications infrastructure accordingly. During the 2008 European Football Championships more than a dozen independent broadcasters joined ATMAN, expanding the reach of the ATMAN network. ATM InteractiveTV product was awarded the 2008 Golden Antenna in the "Fixed line business solutions" category in a competition held by the "Świat Telekomunikacji" industry periodical. Thus both experts and users received it favorably.

When it comes to integration services, it should be pointed out that their nature is, similarly to the previous years, highly seasonal — the number of projects completed before the last quarter of the year is significantly smaller. Among important projects implemented during the last months, the completion of the first stage of network infrastructure supply for the nationwide carrier agreement amounting to ca. USD 2.7 million is worth mentioning. The contract is underway. The estimated value of the second stage is approximately USD 1.5 million. The contract mainly concerns Cisco Systems network solutions, which should both enhance the quality of the operator's Web services and improve its network management capabilities.

During the period in question, ATM successfully completed the implementation of Atmosfera Service Desk system in three financial institutions and won two new customers. One of the awarded contracts for a new Atmosfera product, i.e. Atmosfera TenStep (Enterprise Project Management) deserves a special mention, as it has been the first such solution in the country. ATM also signed an interesting integration contract with **Raiffeisen Bank Polska S.A.** for the implementation of own application for Business Continuity Planning (BCP).

Fruitful cooperation of ATM with the market leader in telecommunications and Web solutions, CISCO Systems, is also worth mentioning. In the first half of 2008 an annual audit connected with the re-certification of the Cisco Gold Partner title took place. It was successful and, as a result, ATM S.A. kept the certificate, which is important for its business activity.

Among major events, the successful completion of talks with the company which manages the Łódź Special Economic Zone (Łódzka Specjalna Strefa Ekonomiczna S.A.) should be mentioned. At the conclusion of the negotiations, ATM investment offer was assessed as the most advantageous in the history of the Łódź Special Economic Zone. As a result, on July 11, 2008 the Minister of the Economy issued a formal permission for ATM to start operations within the zone. Currently, talks are being held with select partners concerning the funding of the investment and its implementation. Business activity in the zone will involve the construction of an ATM Innovation Center (Centrum Innowacji ATM). The project is currently being prepared in detail. It includes especially a substantial development of the existing space to be occupied by server rooms forming part of the ATMAN Data Center.

ATM S.A. subsidiaries will also provide some positive developments. **Sputnik Software** is especially active in this respect. Among other things, it signed a contract for software supply and training courses for fourteen Płock region municipalities. The company also signed an agreement with the Polish State Forests IT Department for the supply of cryptographic cards and readers together with software and certificates for State Forests organizational units. Moreover, the Proton application won the "Application of the Year 2008" award in a prestigious contest held by Microsoft. Notably, user feedback as well as jury opinions were taken into account when awarding the title. Proton is an electronic document workflow system for institutions. The application has already been deployed at more than 200 central and local government institutions. Fully deployed, the system is accessible from every employee's workplace.

The **Cineman** company has initiated collaboration with Netia, providing video-on-demand services to customers who have selected Netia as their ISP. These services enable customers to purchase movies and view them on the PC screen without leaving home. The contract with Netia may be treated as a breakthrough, as it will certainly enable Cineman to attract new operators interested in its unique offer.

mPay S.A., on its part, has signed an agreement for a joint implementation of a mobile payment system with one of the mobile phone operators, Play. Play users can now pay for goods and services using their mobile phones. This modern solution enables both to use the most advanced Near Field Communication (NFC) technologies and supports easily all current mobile phones available. The service is available both at traditional POS and in online and remote payments.

mPay system users may also top up their mobiles and send money to each other. mPay estimates that, over the next five years, the service may be used by several million Poles and it will become as universal as paying with the card. mPay, together with Zarząd Dróg Miejskich in Warsaw, also launched payments for parking toll using mobile phones.

mPay S.A. also received the Golden Antenna as the “Most promising company of the year”. In the “Service of the year” category, the jury granted the award to Polkomtel S.A. as the first operator in Poland to implement the mPay mobile payment system. Currently, the mPay network includes more than 1,500 outlets and several thousand online stores.

1.2. Projected group development

The main field of the Group’s activity still encompasses integration services provided by its companies, taking into consideration a well-thought market and product targeting. The companies of the Group are improving in the field of using their synergy resulting from a variety of complementary specializations, which contributes to the growth in sales and driving better results. The offered solutions use the services forming part of the ATMAN network increasingly often, which helps them gain a better position on the market and, consequently, competitive advantage. Moreover, the constantly expanded ATMAN Data Center has been further developing and is to receive additional floor area aimed at server rooms establishment as part of the ATM Innovation Center.

It is also worth mentioning the dynamic and successful development of high-margin software products. For ATM S.A., this refers mainly to the Atmosfera products, whose basic package provides large IT department support. This product family is not only increasingly profitable — it is also constantly expanded by new versions of the system, such as project management processes support tool Atmosfera Project Management or Atmosfera Medical Equipment Management solution. Sputnik Software solutions serve for government support, and Impulsy software provides healthcare support solutions. All the abovementioned products are subject to constant improvement and their sales are expected to boost the whole Group revenue.

ATM S.A. has strengthened its position as an attractive partner for carriers for several years now. Financial services, industry, energy supply, science and media sectors are also important for ATM. While taking care not to neglect these groups of customers, the Management Board intends to adjust its product and service portfolio to the needs of those market segments which, in the opinion of the Management Board, will make significant investments in ICT tools in order to support their operations in the coming years. For this reason ATM S.A. Group of Companies is also developing products aimed at the medical services market and government bodies.

1.3. Major research and development achievements

Research and development activities are performed mainly by ATM S.A. and CBR ATM-Lab. The Company’s research and development work is largely focused on the construction of a platform enabling the distribution of multimedia content, including interactive TV services, via the Web. The products developed as a result of proprietary research and development, e.g. the distributed architecture of the multimedia archive, are used as technological platforms on which many specific solutions (e.g. concerning Web movie distribution or teleradiology) are based. ATM used the accumulated experience and the developed solutions on a massive scale during the 2008 European Football Championships, enabling multimedia content access and online football match watching for almost 100,000 users. Based on the works implemented so far, the following solutions were developed:

- ATM Internet TV technology platform to be used for broadcasting live TV programs and the distribution of content in the video on demand and download modes, where the signal receiver is a PC.
- ATM MobileTV technology platform enabling the provision of multimedia services, including video content broadcasting, for mobile device users who use the data transmission services provided by cell phone networks.

- ATM IndoorTV technology platform developed for remote management of point-of-sales advertising content broadcasting (POS-TV — Point of Sales Television).
- The remote medical archive enables the secure storage of medical images together with associated patient details and examination reports as well as remote access to the data. It also provides statistics and search tools. The remote archive system is to enable easy migration, eventually becoming a module of the Electronic Medical File.
- mPay mobile payments system – ATM S.A. has formed a consortium with its subsidiary mPay S.A. and is among the companies working on the "mPay mobile payments system" research and development project, which has received financing under the Improvement of the Competitiveness of Enterprises Sectoral Operational Program 1.4.1. Within the framework of the project, scenarios are being developed with regard to the handling of various types of payment acceptors, methods for detecting fraud attempts and protecting against them are being perfected, and the user interface is being designed.

1.4. Current and projected financial standing

The Group's sales revenue in the first half of 2008 amounted to PLN 94,792,000, and was 11.6 % higher than in the same period of the previous year. Greater sales revenue and sales gross profit enabled the Group of Companies — mainly thanks to the Issuer — reach a consolidated profit already in the first half of the year. Net profit for the Group's shareholders amounted to PLN 2,441,000, thanks to which net return on sales reached 2.58% in the first half of the year, an return on equity amounted to 2.02%.

These results are very promising when it comes to overall results of the Group at the end of 2008. Due to the nature of its operations, the Issuer obtains most of its annual revenue and the greatest part of its annual profit in the fourth quarter of the year.

Compared to the first half of 2007, telecommunications services sales were the most dynamic. Business security services and application solutions sales doubled, which is a visible result of the activity of new companies within the Group. Integrated ICT systems as well as telecommunications and value added services account for over 90% of the Company's revenue. Moreover, the Company provides business security services and offers application solutions as well as multimedia solutions and services. The Management Board expects further, stable revenue and profit growth within the whole Group of Companies.

Financial ratios calculated for the first half of 2008 calculated for the consolidated financial statements are as follows:

Return on sales	2.58%
Return on equity	2.02%
Receivables turnover	141
Liabilities turnover	156
Liquidity indicators	1.28

The fairly long receivables turnover period is the result of the fact that long-term receivables related to multi-year contracts have been included in the financial statements. Compared to the previous year, this ratio has improved as a result of a decrease in the amount of receivables, including a decrease in long-term receivables.

The financial standing of the Company is stable and no factors are known which could lead to its deterioration in the future.

Subsidiaries like KLK Sp. z o.o. and Sputnik Software Sp. z o.o. fund part of their operations using authorized overdrafts. However, the debt ratio of the entire Group of Companies is very low.

During the period in question, the main investments were not concerned with new companies acquisition, as in the previous years, but decapitalizing the companies which already formed part of the Group. The Group was focused on the development of new products and on continuing projects initiated in the previous year. The Issuer invested, via increasing the initial capital of specific companies from the Group, in the development of mPay mobile payment system — PLN 2,600,000, the Electronic Patient Card in Impulsy company — PLN 960,000, and Web cinema solutions offered by Cineman — PLN 204,000.

A noteworthy phenomenon in the Company's balance sheet is the increase in the value of property, plant and equipment, which amounted to almost 39%; the value of property, plant and equipment amounted to PLN 120,400,000. This confirms the very active efforts of the Company to build an ICT infrastructure in order to ensure steady growth in the future. The infrastructure developed is not only a valuable and indispensable tool used to provide increasingly sophisticated ICT services, but also to some extent a commodity constituting an additional income driver based on product sales.

1.5. Purchase of treasury shares

Pursuant to the resolution of June 5, 2008, the Ordinary General Meeting of Shareholders expressed consent to the Issuer's purchase of treasury shares which will be offered to employees of companies included in the ATM S.A. Group of Companies according to Incentive Scheme Rules (according to Current Report No. 22/2008) of June 5, 2008.
Summarizing the information included in current reports until the date of publication of the present report, the Issuer purchased 624,570 treasury shares, which amount to 1.73% of ATM S.A. share capital.

1.6. Company's branches

The Company does not have branches that would engage in independent business activities. It does, however, have a Branch in Katowice, which is used by the Company to provide telecommunications services in southern Poland.

1.7. Information on financial instruments used

The Group has no assets or liabilities measured at fair value, held for trading, embedded or derivative financial instruments. The Group does not use hedge accounting, and during the period covered by the consolidated financial statements it neither extended loans (apart from loans granted to subsidiaries of the Issuer's Group of Companies) nor was party to financial guarantee contracts.

The Company concluded an operating lease agreement concerning its Telecommunications Center in December 2005. The term of the lease is 15 years and the value of the leased asset is denominated in euro.

The Company also uses finance lease agreements when purchasing equipment in order to upgrade its telecommunications infrastructure. Lease terms range from three to five years. The value of the leased asset is also stated in euro. New lease agreements are denominated in Polish zlotys.

As at the balance sheet date, the following companies from the Group have liabilities arising from loans contracted:
- KLK Sp. z o.o. PLN 3,934,000;
- Sputnik Software Sp. z o.o. PLN 287,000;

Detailed information concerning this loan can be found in Note 22.

As at the balance sheet date, ATM S.A. has liabilities arising from business receivables acquisition agreements. Detailed information concerning these liabilities can be found in Note 24 of the Issuer's financial statements.

As at the balance sheet date, the following companies have liabilities to the Issuer arising from loans:

- mPay International Sp. z o. o., amounting to PLN 1,068,400;
- mPay S.A., amounting to PLN 1,512,500;
- Sputnik Software Sp. z o. o., amounting to PLN 610,800.

What is more, mPay International Sp.z o.o. contracted a loan amounting to PLN 700,000 from the partnership of its shareholder Henryk Kułakowski.

The ATM Group companies did not directly grant any guarantees. However, on behalf of the Group, bank guarantees are granted to the benefit of the Group's customers. These are tender bonds and performance bonds.

2. Risks and threats

ATM S.A. products have a unique position in the market thanks to the Company's unique combination of competences related to the integration of ICT systems, telecommunications and software development. The Company provides production systems for carriers and advanced telecommunications services predominantly for financial institutions, media and carriers.

Some kind of risk is associated with the Issuer's investments in start-up companies. The ATM S.A. *corporate venturing* program assumes increased risk. The market success of the envisaged innovative services is not certain. Neither are the prospects of meeting the financial forecasts related to the sales of the new services. The ATM S.A. Management Board has taken all reasonable measures to mitigate these risks. Investment processes and the progress of development work at subsidiaries are being closely monitored. The technical tests and pilot implementations have confirmed the feasibility of the services and the possibility of achieving the intended technical parameters. Presentations at global conferences and fairs justify our optimism concerning the success of the challenges undertaken.

Recently the Issuer introduced a new investment project. Its aim is to create an ATM Innovation Center (Centrum Innowacji ATM). The first stage of its development was expanding the Warsaw sub-zone of the Łódź Special Economic Zone with the Grochowska complex and obtaining permission for running operations there, which was granted to ATM S.A. on July 11, 2008. In order to be granted such a permit the company had to submit an investment expenses growth declaration to the amount of over PLN 300,000,000 and create 250 new job posts by the end of 2014. Establishing of an ATM Innovation Center is to allow for unusually fast development of Issuer's daily operations related to telecommunications services and value-added telecommunications services as well as to attract ICT companies to the Zone in the future. Companies, which are to start their activity in the sub-zone, will be able not only to use ATM and ATM-Lab Research and Development Center information together with their rich ICT infrastructure and ATM telecommunications, collocation and IT services, but will also have a chance to take advantage of tax allowances granted to companies carrying business operations in the Special Economic Zone.

President of the Management Board	Vice-President of the Management Board
Roman Szwed	Tadeusz Czichon

MANAGEMENT BOARD STATEMENT

The ATM S.A. Management Board declares that according to its best knowledge, the half-year consolidated financial statements and comparable data have been drawn up in accordance with applicable accounting principles and they give a correct, true and fair view of the asset and financial situation of the Issuer's group of companies and its financial performance and that the report on the activities of the Issuer's group of companies gives a true picture of the development, achievements and standing of the Issuer's group of companies, including most important risks and threats.

President of the Management Board	Vice-President of the Management Board
Roman Szwed	Tadeusz Czichon

MANAGEMENT BOARD STATEMENT

The ATM S.A. Management Board declares that according to its best knowledge, the entity authorized to audit the financial statements, which audited the annual consolidated financial statements, was selected pursuant to applicable laws, and that this entity as well as the statutory auditors who audited these statements fulfilled the conditions for expressing an impartial and independent opinion about the audit pursuant to applicable Polish laws.

President of the Management Board	Vice-President of the Management Board
Roman Szwed	Tadeusz Czichon

ATM S.A. FINANCIAL STATEMENTS

FOR THE PERIOD FROM JANUARY 1, 2008 TO JUNE 30, 2008

FINANCIAL HIGHLIGHTS

	30.06.2008	30.06.2007	30.06.2008	30.06.2007
	PLN thousand		EUR thousand	
Total sales revenue	72722	59441	20912	15445
Operating profit (loss)	(818)	(456)	(235)	(118)
Profit (loss) before tax	3850	(176)	1 107	(46)
Net profit (loss)	3613	(215)	1 039	(56)
Net cash from operating activities	9571	(8 526)	2752	(2215)
Net cash from financial activities	3572	6676	1 027	1 735
Net cash from investment activities	(41 327)	(801)	(1 1 884)	(208)
Increase (decrease) in cash	(28184)	(2 653)	(8104)	(689)
Fixed assets	232 981	99791	69459	26499
Current assets	73405	39951	21 887	10609
Total assets	306 386	139742	91 347	37 108
Long-term liabilities	22868	10620	6818	2820
Short-term liabilities	53290	54621	15888	14504
Equity	230 228	74500	68639	19783
Share capital*	34397	25093	10255	6663
Number of shares	36 000 000	3 295 642	36 000 000	3 295 642
Book value per share (PLN/EUR)	6,40	22,75	1,91	6,04

- ** Share capital restated in accordance with IAS 29.*
- *Number of shares as at June 30, 2007 before the split of January 10, 2008.*

The above financial data as at June 30, 2008 have been converted into EUR according to the following principles:

- particular items of assets and liabilities were calculated with average FX rate of the National Bank of Poland as of June 30, 2008 at PLN/EUR 3.3542;
- particular items of the P&L account and cash flow statement were calculated with the rate being arithmetic mean of rates of the National Bank of Poland at the last day of each month of the fiscal year (between January 1 and June 30, 2008) at PLN/EUR 3.4776.

The above financial data as at 30.06.07 have been converted into EUR according to the following principles:

- particular items of assets and liabilities were calculated with average FX rate of the National Bank of Poland as of 30.06.07 at PLN/EUR 3.7658;
- particular items of the consolidated P&L account and consolidated cash flow statement were calculated with the rate being arithmetic mean of rates of the National Bank of Poland at the last day of each month of the fiscal year (between January 1 and June 30, 2007) at PLN/EUR 3.8486

PROFIT AND LOSS ACCOUNT

	NOTE	End of period, June 30, 2008	End of period, June 30, 2007
Continued operations			
Revenue from sales	3	72722	59441
Cost of goods sold (variable)	4	44527	37022
Cost of goods sold (fixed)	4	7399	6674
Gross profit (loss) on sales		**20796**	**15745**
Other operating revenue	5	251	140
General and administrative costs	4	21791	16308
Other operating expenses	6	74	33
Restructuring costs		-	-
Operating profit (loss)		**(818)**	**(456)**
Financial revenue	7	5292	810
Financial expenses	8	625	531
Net financial activity		**4667**	**279**
Share in the financial result of undertakings valued using the equity method			-
Profit (loss) before tax		3850	(177)
Income tax	9	237	39
Net profit (loss) on continued operations		**3613**	**(216)**
Discontinued operations			
Net profit (loss) on discontinued operations			
Net profit (loss)		**3613**	**(216)**
Profit (loss) per share			
From continued operations:			
Ordinary		0.10	(0.05)
Diluted		0.10	(0.05)
From continued and discontinued operations:			
Ordinary		0.10	(0.05)
Diluted		0.10	(0.05)

BALANCE SHEET — ASSETS

	NOTE	End of period, June 30, 2008	End of period, December 31, 2007
Fixed assets			
Goodwill		-	-
Intangible assets	11	17950	16586
Property, plant and equipment	12	109481	77734
Investments in associates valuated by equity method	13	63487	63391
Other financial assets	13	29754	26785
Deferred income tax assets	9	101	339
Other fixed assets	14	12208	13685
		232981	**198520**
Current assets			
Inventories	15	6503	6325
Financial assets held for trading		2592	2033
Trade and other receivables	16	28674	63567
Income tax receivables		31	36
Other current assets	17	916	1364
Cash and cash equivalents	18	34689	62873
		73405	**136198**
Fixed assets classified as held for sale		-	-
Total assets		**306386**	**334718**

BALANCE SHEET — LIABILITIES

	NOTE	End of period, June 30, 2008	End of period, December 31, 2007
Equity			
Share capital	19	34397	34297
Share premium account		157252	157252
Revaluation reserve		-	-
Treasury shares		(1682)	-
Capital reserves	19	23398	24607
Hedge valuation reserve and FX gains/losses due to consolidation		-	-
Retained earnings	19	16862	31481
		230228	**247737**
Long-term liabilities			
Bank and other loans	20	-	-
Provisions for deferred tax	9	-	-
Provisions for liabilities		-	-
Trade and other liabilities	22	4123	3226
Other financial liabilities	24	18745	13078
		22868	**16304**
Short-term liabilities			
Bank and other loans	20	-	-
Trade and other liabilities	23	24472	62495
Income tax liabilities		-	3271
Provisions for liabilities		-	-
Other financial liabilities	24	28818	4911
		53290	**70677**
Liabilities related directly to fixed assets classified as held for sale		-	-
Total liabilities		**306386**	**334718**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Equity share	Supplementary capital from share premium	Treasury shares	Capital reserve	Retained earnings	Total shareholders' equity
As at January 1, 2007	**24572**	**4558**	**-**	**23362**	**39281**	**91773**
Increases:						
Issue of shares	521	7480	-	-	-	8001
Current period results	-	-	-		-	-
Profit distribution	-	-	-	1244	-	1244
Decreases:						
Current period results	-	-	-	-	215	215
Profit distribution to be allocated to equity	-	-	-	-	1244	1244
Dividends paid out	-	-	-	-	25047	25047
Data as at June 30, 2007	**25093**	**12038**	**-**	**24606**	**12775**	**74512**
Data as at January 1, 2008	**34397**	**157252**	**-**	**24607**	**31481**	**247737**
Increases:						
Current period results	-	-	-	-	3613	3613
Decreases:						
Profit distribution to be allocated to equity	-	-	-	-	18232	18232
Dividend payout	-	-	-	1208	-	1208
Purchase of treasury shares	-	-	1682			1682
	34397	**157252**	**(1682)**	**23398**	**16862**	**230228**

CASH FLOW STATEMENT

	End of period, June 30, 2008	End of period, June 30, 2007
Operating activities		
Profit (loss) before tax	3850	(176)
Adjustment (items):	5722	(8350)
Amortization and depreciation	6304	3765
FX gains/losses	(1427)	(174)
Interest received	(84)	-
Interest paid	588	446
Dividends received	(863)	-
Profit (loss) on investment activities	(51)	(33)
Movements in inventories	(178)	(2786)
Movements in receivables	33759	9550
Movements in liabilities and provisions	(34210)	(13894)
Movements in other assets	5308	337
Income tax paid	(3266)	(5370)
Other	(158)	(191)
	9571	**(8526)**
Investment activities		
Expenses on property, plant and equipment purchases	(49183)	(20355)
Expenses on financial asset purchases	(3464)	(4035)
Loans granted	(2634)	-
Revenue from property, plant and equipment sale	10463	23242
Revenue from financial asset sale	-	234
Loan repayment	2475	-
Interest received	-	117
Dividends received	863	-
FX gains/losses	153	(4)
	(41327)	**(801)**
Financial activities		
Net proceeds from issue of shares and other capital contributions	-	8094
Subsidies received	242	-
Proceeds from loans	8840	-
Repayment of loans	(303)	-
Purchase of treasury shares	(1682)	
Payment of liabilities arising from finance leases	(3036)	(1687)
Dividends paid	-	-
Interest received	84	-
Interest paid	(588)	(470)
FX gains/losses	14	(12)
Other	-	751
	3572	**6676**
Movements in cash	**(28184)**	**(2653)**
Opening balance of cash	62873	4310
Closing balance of cash	**34689**	**1657**

ADDITIONAL NOTES

NOTE 1
BASIC INFORMATION

1. Information about the company

ATM S.A. is a joint stock company. The Company launched its operations in 1993 as ATM Sp. z o. o. limited liability company. On July 10, 1997, ATM Sp. z o. o. was transformed into a joint stock company pursuant to the notarial deed drawn up at the Notarial Office in Raszyn on May 16, 1997 (Repertory No. 3243/97).

The registered office of the Company is located in Warsaw at Grochowska 21 a. The Company operates from its registered office as well as through a branch in Katowice, which is not a self-contained accounting unit. The Company was registered at the District Court for the Capital City of Warsaw in Warsaw, 13th Commercial Division of the National Court Register. The Company is registered under National Court Register entry No. KRS 0000034947.

ATM S.A. is listed on the Warsaw Stock Exchange. The ownership structure as at December 31, 2007 and June 30, 2007 has been presented in Note 19.

According to the Warsaw Stock Exchange classification, the core business of the Company concerns the IT sector. The Company's core business includes ICT services combining skills and resources related to ICT systems integration and telecommunications as well as software development and deployment. The services provided by the Company cannot be clearly classified as "IT" or "telecommunications" services, so its business has not been divided into separate segments for accounting purposes. ATM S.A. provides services related to the following core areas:

- integrated ICT infrastructure systems, including the integration of computer networks and data storage and processing systems;
- telecommunications and value added services, including Internet access for telecommunications providers and corporate customers, the lease of transmission lines, telecommunications outsourcing, collocation and other value added services;
- business security solutions and services, including technical information security solutions, backup center and office services as well as IT support for business continuity procedures;
- application solutions based on proprietary and third party software;
- multimedia solutions and services including an interactive television platform incorporating video on demand services and a point of sales advertising television platform;

As at June 30, 2008, the Management Board included:

- Roman Szwed — Management Board President
- Tadeusz Czichon — Management Board Member

The Supervisory Board as at June 30, 2008 included:

- Jan Wojtyński — Chairman
- Tomasz Tuchołka — Deputy Chairman
- Sławomir Kamiński — Member
- Jan Madey — Member
- Zbigniew Mazur — Member

2. Grounds for the drawing up of financial statements

The present financial statements have been drawn up in accordance with the requirements of International Financial Reporting Standards ("IFRS") as approved by the European Union, and with respect to matters not regulated in the said standards in accordance with the requirements of the Accounting Act of September 29, 1994 (Journal of Laws [Dz.U.] No. 76/2002 item 694 as amended) and the secondary legislation issued pursuant to this Act and in accordance with the requirements stipulated in the Regulation of the Minister of Finance of October 19, 2005 regarding current and periodical information submitted by issuers of securities (Journal of Laws [Dz.U.] No. 209/2005 item 1744).

NOTE 2
MATERIAL ACCOUNTING POLICIES

The trading year shall be a calendar year.

The financial data have been stated in thousands of PLN unless stated with greater accuracy in specific cases. The Polish zloty (PLN) is both the functional and reporting currency.

Financial statements have been drawn up on the assumption that the Company will continue as a going concern in the foreseeable future. As at the date on which the financial statements were drawn up, there were no circumstances indicating any threat to the Company continuing as a going concern.

1. Compliance statement

The financial statements of ATM S.A. for the period ending on June 30, 2008 and comparable data for the fiscal year ending on December 31, 2007 have been drawn up in accordance with International Financial Reporting Standards as approved by the European Union, including the IAS 34 — "Mid-year Reporting" requirements.

2. Earlier adoption of International Financial Reporting Standards

As indicated above, in drawing up the present financial statements, the Group applied IFRS as approved by the European Union. The Company decided not to take advantage of the possibility to adopt new standards and interpretations that have already been published and approved by the European Union or are to be approved in the near future, and which will come into force after the balance sheet date, at an earlier date:

- Amendment to IAS 1 — "Presentation of Financial Statements" (applicable to financial statements for periods beginning on July 1, 2009);
- Amendment to IAS 23 — "Borrowing costs" (applicable to financial statements for periods beginning on January 1, 2009);
- Amendments to IAS 32 — "Financial Instruments: Presentation" and related amendments to IAS 1: "Presentation of Financial Statements" (applicable to annual periods beginning on January 1, 2009);
- Amendments to IFRS 2 — "Share-based Payment" (applicable to annual periods beginning on January 1, 2009);
- Amendments to IFRS 3 — "Business Combinations" (applicable to annual periods beginning on July 1, 2009);
- Amendment to IAS 27 — "Consolidated and Separate Financial Statements" (applicable to financial statements for periods beginning on January 1, 2009 or later);
- IFRIC 12 Interpretation — "Contracts for Licensed Services" (applicable to annual periods beginning on January 1, 2008). The current interpretation has no influence on the Company financial statements.
- IFRIC 13 Interpretation — "Loyalty Programs" (applicable to financial statements for periods beginning on July 07, 2009 or later);
- IFRIC 14 Interpretation — "The limit on a defined benefit asset, minimum funding requirements and their interaction" (applicable to annual periods beginning on January 1, 2008). The current interpretation has no influence on the Company financial statements.
- IFRIC 15 Interpretation — "Contracts for Real Estate Construction" (applicable to financial statements for periods beginning on January 1, 2009 or later);
- IFRIC 16 Interpretation — "Net Foreign Investment Hedge" (applicable to financial statements for periods beginning on January 1, 2009 or later);
- Amendments to IFRS 1 — "Using International Financial Reporting Standards as Grounds for Accounting for the First Time" and amendments related to IAS 27 — "Consolidated and Separate Financial Statements" (applicable to annual periods beginning on January 1, 2009).

According to the estimates of the entity, the abovementioned standards, interpretations and amendments to these standards would not have significant impact on financial statements if they had been applied by the entity as at the balance sheet date.

At the same time, besides the regulations adopted by the EU, there is also asset and liability portfolio hedge accounting, which has not been fully approved for application within the EU. According to the estimates of the entity, asset or liability portfolio hedge accounting application according to IAS 39 — “Financial instruments: recognition and valuation” would not have significant impact on financial statements if they had been fully approved for application within the EU as at the balance sheet date.

Moreover, during the preparation of these financial statements the Company did not apply the following standards, amendments and interpretations, which had already been published and approved for application within the EU but were not applicable yet:
- IFRS 8 — “Operating Segments” (coming into force on January 1, 2009).

3. Management Board estimates

In drawing up the present financial statements, the Management Board relies on estimates based on certain assumptions and judgments. These estimates affect the principles adopted and the amounts of assets, liabilities, revenue and costs presented.

The estimates and related underlying assumptions are based on historical experience and the analysis of diverse factors, which are considered reasonable under the circumstances and their results form the basis for professional judgment concerning the value of individual items they concern.

With regard to certain significant issues, the Management Board relies on opinions voiced by independent experts.

Due to the nature of estimates and the forward-looking assumptions adopted, the accounting estimates arrived at in this manner may by definition differ from actual results. The estimates and assumptions adopted are subject to ongoing verification. Any change in accounting estimates will be recognized in the period in which they are changed if they concern this period only, or in subsequent periods as well.

Estimates and assumptions involving significant risk include:

a) provisions for employee benefits

As concerns employee benefits, the Company is not party to any wage bargaining agreements or collective employment agreements. Moreover, the Company does not participate in any pension schemes managed directly by the Company or by external funds. The costs of employee benefits include salaries payable according to the terms and conditions of employment contracts concluded with individual employees and the costs of pension benefits (retirement severance pay) payable to employees pursuant to Labor Code provisions at the end of their employment period. Short-term employee benefit liabilities are valued according to general principles. Long-term benefits are estimated using actuarial methods. Due to the immaterial nature of these provisions, based on the materiality principle included in the International Financial Reporting Standards Conceptual Framework, the provisions for long-term benefits at the end of the employment period have not been recognized in the financial statements.

b) long-term contracts

The Company determines the completion stage of long-term contracts by determining the proportion of the project costs already incurred to total estimated project costs. Due to the nature of the projects implemented and the possibility that unforeseen difficulties emerge in relation to project implementation, it may turn out that total actual project implementation costs differ from the estimates made. Changes in total project implementation cost estimates may result in the need to restate the project completion stage determined as at the balance sheet date, and thus restate the revenue recognized.

c) other

Apart from the aforementioned issues, the Company makes regular (at least annual — on the balance sheet date) estimates concerning the correct determination of life of individual fixed assets, the potential residual value of individual assets as well as receivable and inventory write-downs.

These estimates are largely based on historical experience and the analysis of various factors affecting the use of assets and the possibility of taking advantage of the related economic profits.

4. Accounting principles

Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Company has the power to govern the financial and operating policies generally accompanying the control of more than one half of the overall voting rights in their decision-making bodies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying the control of between 20% and 50% of the voting rights in decision-making bodies.

Intangible assets

Intangible assets include assets that lack physical substance, are identifiable and can be reliably valued and which will cause future economic benefits to flow to the unit.

Intangible assets are initially recognized at acquisition price or cost of production.

Intangible assets created as a result of development work are recognized in the balance sheet where the following conditions are met:

- from the technical point of view, the intangible asset can be completed so that it can be sold or used;
- it is possible to demonstrate the intention to complete the asset as well as use and sell it;
- the asset will be fit for use or sale;
- the manner in which the asset will generate future economic benefits is known;
- technical and financial resources required to complete development work and to use and sell the asset will be secured;
- it is possible to reliably determine the expenditure incurred during development work.

The expenditure incurred during research work and expenditure that does not meet the aforementioned conditions is recognized as expense in the profit and loss account on the date it is incurred, under general and administrative costs.

Expenditure incurred in order to obtain perpetual land usufruct rights is also included in intangible assets. Perpetual usufruct of land is considered operating lease, and so the subject of usufruct is not included in assets. However, the expenses incurred in order to obtain such rights in the secondary market (from other undertakings) and the expenses related to the granting of such rights by competent state authorities are recognized as intangible assets and are amortized over the contractual period during which the entity can use such rights.

The rates adopted for the amortization of intangibles reflect their predicted useful life. The Company does not have intangible assets with indefinite useful life. Intangible assets with definite useful lives are amortized on a straight-line basis. The useful lives for individual intangible assets are as follows:

obtained perpetual usufruct rights	100 years
software licenses	2 years
development work	3 to 5 years
trademarks	5 years
copyrights	5 years

Intangible assets are tested for impairment where there are circumstances indicating impairment; for intangible assets in development the potential impairment is determined on every balance sheet date. The effects of intangible impairment and amortization are recognized as costs related to core operations.

On the balance sheet date, intangibles are valued at cost less amortization charges and any impairment charges.

Property, plant and equipment

Property, plant and equipment includes fixed assets and expenditure for fixed assets under construction which the unit intends to use in its activities and for administrative purposes over a period longer than one year, and which will cause future economic benefits to flow to the unit. Fixed asset expenditure includes the investment expenditure incurred as well as expenditure incurred in relation to the future supplies of machinery, equipment and services related to the construction of fixed assets (payments on account).

Fixed assets and fixed assets under construction are initially recognized at acquisition price or cost of production.

Fixed assets include important specialist replacement parts that function as elements of a fixed asset. Significant components, including intangible ones, are also recognized as separate fixed asset items.

The rates adopted for the depreciation of fixed assets, including components and specialist replacement parts, reflect their predicted period useful life. Fixed assets are depreciated on a straight-line basis. The useful lives for individual fixed asset items are as follows:

buildings and structures	from 10 to 40 years
machinery and equipment	from 4 to 10 years
means of transportation	from 5 to 7 years
other fixed assets	from 4 to 10 years

Own land is not subject to depreciation. The Company treats perpetual land usufruct rights granted as operating lease. Where such rights are purchased in the secondary market, they are recognized as intangible assets and amortized over their predicted period useful life.

Fixed assets and fixed assets under construction are tested for impairment where there are circumstances indicating impairment; for fixed assets under construction in the development stage the potential impairment is determined on every balance sheet date. The effects of impairment of fixed assets and fixed assets under construction are recognized as other operating expenses.

On the balance sheet date, fixed assets and fixed assets under construction are valued at cost less depreciation charges and any impairment charges.

Financial assets

The Company classifies financial assets to one of the following categories: financial assets at fair value through profit or loss, loans granted and own receivables, financial assets held to maturity and financial assets available for sale. The classification of individual financial asset depends on the purpose of the financial asset, the intentions of the Management Board and on whether the financial asset in question is quoted in the market. The Management Board determines the aforementioned classification on the initial recognition of a given asset and, in justified cases, performs an appropriate reclassification in subsequent periods, except for the reclassification of financial assets at fair value through profit or loss. The reclassification in and out of the financial assets at fair value through profit or loss category is prohibited.

a) Financial assets at fair value through profit or loss

This category includes financial assets held for trading and financial assets designated on initial recognition to be measured at fair value. Financial assets are classified to this category where they are held for the purpose of selling in the short term. Financial instruments (except hedging instruments) are also classified to the held for trading financial asset category.

Financial assets at fair value through profit or loss are initially measured at fair value, and transaction costs are recognized directly in the profit and loss account. Gains and losses resulting from movements in fair value are recognized in the profit and loss account in the period in which they occurred.

b) Loans granted and own receivables

Loans granted and own receivables are financial assets which are not financial instruments, with fixed or determinable payments, not quoted and not acquired in order to be traded.

Loans granted and own receivables are initially measured at fair value together with transaction costs, unless these are immaterial. On the balance sheet date, this category is measured at amortized cost using the effective interest rate method.

c) Financial assets held to maturity

Financial assets held to maturity include financial assets with fixed or determinable payments or fixed maturity, which the Group intends and is able to hold to maturity, except for loans granted and own receivables.

Financial assets held to maturity are initially measured at fair value together with transaction costs, unless these are immaterial. On the balance sheet date, this category is measured at amortized cost using the effective interest rate method.

d) Financial assets available for sale

The Company includes among financial assets available for sale all financial assets that are not: loans granted and own receivables, financial assets held to maturity and financial assets held for trading. Assets available for sale include in particular shares in other undertakings that are not subordinates, which the Company does not intend to sell in the short term.

Financial assets available for sale are initially measured at fair value together with transaction costs, unless these are immaterial. On the balance sheet date, this category is measured at fair value.

Interest income related to financial assets available for sale is recognized in the profit and loss account using the effective interest rate method. Dividends related to financial assets available for sale are recognized in the profit and loss account on the date when Company rights to receive payment are established. All other fair value movements are recognized in equity. On the sale or expiry of these assets, the valuation effects recognized in equity are recognized in the profit and loss account.

All financial assets are removed from the balance sheet when the rights to receive benefits from a given asset expire or have been transferred and the Company has transferred virtually all benefits and risks related to the asset.

Financial assets are recognized as current assets unless their maturity exceeds 12 months from the balance sheet date; in this case, they are recognized as fixed assets.

Financial instruments and hedges

Financial instruments are recognized and measured at fair value on the balance sheet date. The methods for recognizing profit and loss related to these instruments depend on whether the instrument in question was designated as a hedge and the nature of this hedge. A given instrument may be designated as a fair value hedge, cash flow hedge or a foreign investment hedge. During the periods included in the financial statements, the Company used neither financial instruments (including embedded ones) nor hedge accounting.

Inventories

Inventories are assets held for sale in the ordinary course of business, assets in the production process for sale and materials and supplies that are consumed in production or during the provision of services. Inventories include materials, goods, finished products and work in process. Materials and goods are initially measured at acquisition price. On the balance sheet date, materials and goods are valued according to the prudence principle, i.e. these categories are valued at the lower of acquisition price or realizable sales value.

Finished products and work in process are initially valued at actual cost of production. On the balance sheet date, finished products and work in process are valued according to the prudence principle.

Inventories of goods, materials and finished products are subject to write-downs as per the following principles:

- goods inventories:
    - goods remaining in warehouse from 6 months to 1 year 5%
    - goods remaining in warehouse from 1 year to 2 years 10%
    - goods remaining in warehouse from 2 to 3 years 30%
    - goods remaining in warehouse from 3 to 4 years 50%
    - goods remaining in warehouse more than 5 years 100%
- materials inventories:
    - the value of materials is recognized in the cost of goods sold over 5 years on a straight line basis.

Inventory accounting is based on detailed identification for items allocated to specific projects or on the FIFO method for remaining inventories; costs are recognized in the cost of goods sold. Write-downs concerning inventories resulting from prudent valuation as well as write-downs for slow-moving goods and their reversals are recognized in the cost of goods sold.

Trade and other receivables

Receivables are initially recognized at fair value. Where normal payment deadlines are applied that are accepted in practice in the market for similar transactions, fair value is deemed to be their face value arising on the date on which revenue is recognized.

On the balance sheet date, trade receivables are valued at amortized cost using the effective interest rate method, according to the prudence principle. Receivables are subject to revaluation depending on the probability of their receipt by making the following write-downs:

- from debtors put in liquidation or bankruptcy — the amount of receivables not secured;
- from debtors where a petition in bankruptcy has been dismissed — 100% of the amount of receivables;
- disputed receivables or receivables that are overdue and payment is not probable — the amount of receivables not secured;
- receivables equivalent to the amounts added back to receivables — in those amounts;
- receivables that are overdue or not overdue but it is highly probable they will not be collected — 100% of the amount of receivables.

Revaluation write-downs for receivables and their reversals are charged to other operating expenses and operating revenue, respectively. Receivables in foreign currencies are recognized in books and valued on the balance sheet date according to the principles described in the “Foreign Currency Transactions” section.

Receivables whose maturity exceeds 12 months are recognized as “other fixed assets” in the balance sheet.

Other current and fixed assets

Other current assets include prepayments. This category includes expenses incurred which constitute deferred costs. Prepayments are initially recognized in the amount of expenses incurred. On the balance sheet date, they are valued according to the prudence principle. Prepayments are absorbed on the time basis or on the basis of the amount of service, depending on their nature. Where expenses are settled more than 12 months after the balance sheet date, part of the assets are recognized as “other fixed assets” in the balance sheet.

Cash and cash equivalents

Cash includes cash in hand and cash in bank accounts, including cash held in bank deposits. Cash equivalents include short-term, highly liquid investments, easily convertible into known amounts of cash and subject to insignificant risks of changes in value, including interest due on bank deposits. Cash and cash equivalents are valued at face value. Cash and cash equivalents in foreign currencies are recognized in books and valued on the balance sheet date according to the principles described in the “Foreign Currency Transactions” section. For the purposes of the cash flow statement, cash and cash equivalents are defined in the same manner as for the purposes of their recognition in the balance sheet.

Bank loans

Bank loans are recognized at amortized cost using the effective interest rate method. Authorized overdrafts for which no repayment schedules have been set are an exception. For such loans, the costs related to obtaining them and other fees are charged to financial expenses during the period when they are incurred. In other cases, financial expenses, including the fees due on repayment or forgiveness and the direct costs of contracting loans, are recognized in the profit and loss account using the effective interest rate method and increase the book value of the instrument, accounting for the repayments made during the current period.

Trade and other liabilities

Liabilities are commitments to provide performance, resulting from past events, whose value has been determined in a fair manner and which will consume the Company's already existing or future assets.

Liabilities are initially recognized at fair value. Where normal payment deadlines are applied that are accepted in practice in the market for similar transactions, fair value is deemed to be their face value arising on the date on which liability is recognized. On the balance sheet date, liabilities are measured at amortized cost and recognized in the balance sheet as long- and short-term liabilities.

Other liabilities include accruals. Such items include liabilities due for goods or services that have been received or provided, but have not been paid for, invoiced or formally agreed with the supplier, including the amounts due to employees, e.g. for outstanding leaves or bonuses. Despite the fact that in such cases the amount or date of payment for such liabilities has to be estimated, the degree of uncertainty is usually much lower than for provisions and therefore such items are classified as liabilities.

Liabilities in foreign currencies are recognized in books and valued on the balance sheet date according to the principles described in the "Foreign Currency Transactions" section.

Provisions

Provisions are established where the Company is under a legal or constructive obligation resulting from past events and where it is probable that the settlement of this obligation will necessitate an outflow of resources constituting economic benefits and where the amount of this obligation can be reliably estimated, but the amount of this obligation or the date when it becomes due are not certain. Where the effect of the time value of money is material, the amount of provision is determined by discounting expected cash outflows should to their present values using the discount rate that reflects the current market assessments of the time value of money and the risks specific to the liability in question. Increases in provisions based on the discounting method over time are recognized as borrowing costs.

If the Company expects that the costs included in the provision will be reimbursed in any manner, the reimbursement is recognized as a separate asset when, and only when, it is certain that reimbursement will be received.

Provisions for specific risks are only established where the outflow of economic benefits from the unit is probable and the estimate may be conducted in a reliable manner.

As concerns employee benefits, the Company is not party to any wage bargaining agreements or collective employment agreements. Moreover, the Company does not participate in any pension schemes managed directly by the Company or by external funds. The costs of employee benefits include salaries payable according to the terms and conditions of employment contracts concluded with individual employees and the costs of pension benefits (retirement severance pay) payable to employees pursuant to Labor Code provisions at the end of their employment period. Short-term employee benefit liabilities are valued according to general principles. Long-term benefits are estimated using actuarial methods. Due to the immaterial nature of these provisions, based on the materiality principle included in the International Financial Reporting Standards Conceptual Framework, the provisions for long-term benefits at the end of the employment period have not been recognized in the consolidated financial statements.

Incentive Scheme

On June 5, 2008 The ATM S.A. Ordinary General Meeting of Shareholders approved the Incentive Scheme Regulations for ATM S.A. Group of Companies employees. The program is aimed at Company employees and partners, as well as members of the Management Boards and other employees and partners of ATM S.A. Group of Companies. As part of this program, in 2008-2010, the Company

Management Board will grant share purchase options to selected employees. Based on these options, the authorized persons will be able to purchase Company shares at the nominal price.

A capital reserve of PLN 13.5 million was allocated to finance the program.

Foreign currency transactions

Economic operations expressed in foreign currencies are recognized in financial statements as at the date on which they are conducted at the following exchange rates:

- the buying or selling rate applied by the bank whose services the Company uses — for foreign exchange sale or purchase transactions and receivables or liabilities payments;
- the average exchange rate determined for the currency in question by the National Bank of Poland on the date in question unless another exchange rate was specified in the customs declaration or another document which is binding for the unit — for other operations.

Assets and liabilities items expressed in foreign currencies are valued as at the balance sheet date according to the average exchange rate for the currency in question published by the National Bank of Poland for the balance sheet date. Foreign exchange differences arising from the settlement of transactions expressed in foreign currencies as well as arising from the balance sheet valuation of assets and liabilities items expressed in foreign currencies and concerning Company core business (operations) are recognized as financial expenses and revenue. Foreign exchange gains and losses are offset before presentation in financial statements.

The average exchange rates used to value the foreign exchange positions held by the Company in the periods included in the present consolidated financial statements were as follows:

Currency	Average National Bank of Poland rate as at 30.06.2008	Average National Bank of Poland rate as at 31.12.2007
EUR	3.3542	3.5820
USD	2.1194	2.4350
100JPY	2.0156	2.1728

Leases

A lease is classified as a finance lease if agreement terms and conditions transfer substantially all potential risks and benefits resulting from the use of the lease object to the lessee. All other leases are classified as operating leases.

Assets used pursuant to finance lease agreements are treated as Company assets and are valued at the lower of the fair value of the asset at the acquisition date and the present value of the minimum lease payments. The liability arising to the lessor is presented in the balance sheet under other financial liabilities. Lease payment is apportioned between the interest and the principal so that the interest rate on the liability outstanding remains constant. Interest expenses are recognized as financial expenses in the profit and loss account.

Operating lease payments are recognized as an expense in the profit and loss account over the lease term on a straight-line basis. The benefits received and outstanding as an incentive to conclude an operating lease agreement are recognized in the profit and loss account over the lease term on a straight-line basis.

Impairment

At each balance sheet date, the Company reviews the balance sheet value of fixed assets to look for any indication that an asset may be impaired. If there is an indication that an asset may be impaired, then the asset's recoverable amount is estimated in order to determine the potential write-down. Where the asset does not generate cash flows that are largely independent of the cash flows from other assets, the analysis is conducted for the group of cash flow generating assets to which the asset in question belongs. The recoverable amount is determined as the higher of the following two values: the fair value less costs to sell or the value in use, which corresponds to the present value of estimated future cash flows discounted at a rate that reflects current market assessments of the time value of money and the risks specific to the asset (if any).

Where the recoverable amount is lower than the net book value of the asset or group of assets, the book value is reduced to match the recoverable amount. The resulting loss is charged to expense in the period during which impairment occurred.

Goodwill and intangibles in the development stage are tested for impairment annually.

Where impairment is reversed, the net value of an asset is increased to match the new estimated recoverable amount, which cannot be higher, however, than the net value of this asset that would have been determined if the impairment had not been recognized in previous periods. Impairment reversal is recognized as adjustment to expenses in the period during which reasons for impairment ceased to exist. Impairment loss for goodwill cannot be reversed.

Revenue

Sales revenue is recognized at the fair value of the consideration received or due and represents amounts due for products, goods and services provided under ordinary business activities, after deducting rebates, VAT and other sales-related taxes.

Revenue from sales with deferred payment is recognized after deducting discount.

Sales of products and goods are recognized when goods have been delivered and the significant risk related to delivery has been transferred to the buyer.

Revenue from the services provided is recognized based on the stage of completion. Where the result of the service cannot be determined reliably, the revenue arising from it is only recognized to the extent of the expenses incurred which the Company expects to recover. Where the sale price of the service in question includes the identifiable value of maintenance services that will be provided in the future, the amount corresponding to this part of revenue is deferred and recognized in the profit and loss account in the periods when the services in question are provided.

Interest income is recognized on a cumulative basis relative to the principal amount outstanding using the effective interest rate method.

Dividend income is recognized when the shareholders' right to receive payment is established.

Borrowing costs

Borrowing costs are recognized as financial expenses on the date they are incurred. The Company does not capitalize borrowing costs related to assets.

Taxation

Mandatory charges on the financial result include current tax (CIT) and deferred tax.

Current tax expense is calculated on the basis of the taxable profit (tax base) for a given fiscal year. Tax profit (loss) differs from accounting net profit (loss) due to the exclusion of non-taxable revenue and costs that are not tax-deductible as well as cost and revenue items that will never be subject to tax. Tax expense is calculated based on the tax rates applicable to the fiscal year in question.

Deferred tax is calculated using the balance method as the tax to be paid or returned in the future based on the differences between the balance sheet values of assets and liabilities and the corresponding tax values used to calculate the tax base.

The deferred tax provision is established for all positive temporary differences subject to taxation, while a deferred tax asset is recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses or tax credits can be utilized by the Company. The deferred tax asset or deferred tax provision is not recognized where the temporary difference arises from the initial recognition of goodwill or from the initial recognition of another asset or liability in a transaction that does not affect either the taxable or the accounting profit.

The value of deferred tax assets is subject to analysis on every balance sheet date. Where the expected future taxable profit is not sufficient to realize the asset or part thereof, it is written down.

Deferred tax is calculated using the tax rates that will be applicable at the time when the asset is realized or the liability becomes due. Deferred tax is recognized in the profit and loss account, except for cases where it is related to items recognized directly in equity. In this case, the deferred tax is also charged or credited directly to equity. On the balance sheet, income tax assets and liabilities are offset to the extent the liability is payable to the same tax office.

NOTE 3
REVENUE FROM SALES

	For the period 01/01-30/06/2008	For the period 01/01-30/06/2007
Revenue from sales of products	40828	36983
Revenue from sales of goods and materials	31894	22458
Total sales revenue	**72722**	**59441**
including:		
- to affiliates and subsidiaries	3184	2003

Main products

ATM S.A. provides ICT services related to the following areas:

- integrated ICT infrastructure systems;
- telecommunications and value-added services;
- business security solutions and services;
- application solutions;
- multimedia solutions and services.

Within the areas listed, the Company offers the products described below.

Integrated ICT infrastructure systems

ATM S.A. develops integrated information and communication technology (ICT) infrastructure systems including:

- **Transmission networks.** The Company provides comprehensive services including the auditing of existing customer infrastructure, the analysis of current and projected transmission requirements, planning network functionality and performance as well as designing, developing and deploying corporate and carrier networks. Integration projects often involve the development of data transmission security systems and ICT resource management systems.
- **Computer systems integration.** These services involve the design, hardware and software development and deployment of computer systems, including end-to-end data center development. The services include the integration of all required infrastructure components, from power supply systems and transmission cabling through physical security (fire extinguishers, access control, alarms, video surveillance) systems to servers, data storage, operating systems
  and utilities software. We are particularly skilled in building supercomputer systems based on latest parallel processing architectures: clusters and grids.

ATMAN — Telecommunications and Value-Added Services

Next generation telecommunications services provided by ATM S.A. include:

- **Internet access services.** The configuration and supervision of broadband Internet lines for telecommunications providers, Internet and Application Service Providers and corporate customers. The services offered ensure very high data transmission rates and reliability. Within the framework of Internet access services, traffic interchange between the providers and recipients of information and digital Web content takes place. The Company operates interconnect nodes in Warsaw.
- **Digital line lease services.** These are data transmission services provided in the entire territory of Poland, with very high transmission quality parameters. In Warsaw and Silesia, broadband data transmission services are provided with no bandwidth limitations via the Company's own fiber optic network. Within the framework of these services, the Company

enables data transmission through points of interconnection with networks belonging to major intercity and international data carriers.

- **Telecommunications outsourcing.** The design and configuration of complete telecommunications and IT networks based on the Company's own lines as well as lines leased from other providers. This also includes operational support for the customer's entire ICT infrastructure of part thereof (including hardware support) pursuant to service level agreements. Telecommunications outsourcing services are provided, among other things, through 24-hour Network Management Center monitoring of the customer's ICT infrastructure.
- **Collocation and hosting.** The Issuer has properly equipped and protected rooms where it provides collocation (i.e. renting space for hardware together with uninterruptible power supply and communications networks connection) and hosting services (i.e. renting the Company's own servers, e.g. for the provision of Web services).

Next generation telecommunication services are often offered in conjunction with ICT systems integration services, in particular in connection with the development of network management systems, traffic billing, ensuring the security of transmitted data, the development of applications supporting business operations by means of a network and telecommunications infrastructure.

Business security solutions and services

ATM S.A. develops integrated solutions based on proprietary and third party software, mainly in the following areas:

- **Data Protection Center.** The Company has created an environment consisting of separate rooms, appropriate technical infrastructure and procedures. This is offered under the common Data Protection Center (*Centrum Ochrony Danych*) brand. Data Security Center services consist in the rental of backup front office and back office environments. Pursuant to the agreement signed, the customer (e.g. bank) may recommence at the Data Protection Center within a guaranteed, short time, the operation of key services that was interrupted in the main office due to sudden, unforeseen events (an extensive failure, vandalism or an act of terror). The Company also provides outsourcing services related to the operation of technical information protection systems (including the ongoing updating of software and protection rules as well as responding to incidents).
- **Technical information security solutions.** The company delivers and integrates state-of-the-art technical IT security systems: firewalls, intrusion prevention systems (IPS), anti-virus and anti-spam systems, and systems to prevent access to undesirable Web content. These systems may be additionally equipped with threat analysis software which leverages information collected from individual devices.
- **ATM BCP** (Business Continuity Planning). The company develops and deploys systems that support Business Continuity Planning. The system was developed on the basis of proprietary software. Major users of such systems include banks, for which the mitigation of operational risk constitutes an important factor allowing them to limit the capital requirements stipulated in the New Capital Accord (Basel II).

Application solutions

ATM S.A. develops integrated solutions based on proprietary and third party software, mainly in the following areas:

- **Proprietary software based solutions.** This primarily includes the **Atmosfera** system offered by the Company. The system supports the management of business processes, particularly with respect to services. In corporate (e.g. telecommunications providers') IT departments, it ensures compliance with the widely accepted ITIL (Information Technology Infrastructure Library) standard. An important product is the SMaCS system used to manage services in IP networks. This system ensures revenue from digital data transmission services (file download, video on demand and other value-added services) delivered to subscribers by telecommunications providers, including traditional telephone network, cable TV network and cell phone network operators. The solution guarantees that the services can only be used by authorized users and that each user is billed according to the rules set by the provider. Another solution targeted at providers is the LI (Lawful Interception) system used for the authorized interception of transmissions at the request of competent authorities.

- **Third party software based solutions.** ATM S.A. deploys IT systems based on applications developed by other manufacturers. In this field the Company is, among others, a Microsoft Gold Certified Partner.

Multimedia solutions and services

As a result of several years of research and development work, the Company has designed and is developing proprietary technology platforms used for the provision of various multimedia services. Currently, the Company offers the following services:

- **ATM IndoorTV** The service involves development and support of an end-to-end POS TV (Point Of Sales Television) system. The service was awarded the 2006 Złota Antena (Golden Antenna) by the "Świat Telekomunikacji" monthly.
- **ATM InternetTV** The service is based on the multimodule ATM InteractiveTV platform which was awarded the 2008 Złota Antena (Golden Antenna) by the "Świat Telekomunikacji" monthly and includes:
  - the subsystem for storing large quantities of multimedia data together with descriptions offering presentation and search capabilities;
  - the subsystem for adapting content format to transmission system requirements (encoding translation, protection of licensing rights) and the subsystem for managing the offer for subscribers, in particular the presentation of the content offered for download and service packages;
  - the transmission management subsystem and the content billing subsystem enabling various billing schemes — flat rate, for service usage time, for data volume downloaded, for playing a specific movie, etc.

ATM S.A. offers the aforementioned platform both to digital multimedia content (e.g. movies or music) providers and to operators of subscriber communications networks.

The Company offers to deliver and integrate a fully functional multimedia content distribution system for the customer's sole use as well as to make its proprietary technology platform available. The functionality of the solution delivered may be tailored to specific requirements and ATM S.A. also offers to integrate the solution with the customer's other systems. Customers may also use multimedia content distribution related services provided by the Company using platforms developed for their own needs. The services may concern the full scope of technical distribution support (e.g. the comprehensive provision of video on demand services) or just the scope selected by the customer — e.g. only data format translation or the collection and provision of encoded material.

Industry segments

In the opinion of the Management Board, despite the fact that it is possible to identify different product lines with regard to sales revenue, the types of production processes and the distribution and service provision methods are closely linked and exhibit similar risks and returns on investment. Moreover, no transactions between individual product lines are conducted. As a consequence, when assessing the possibility of dividing the Group's operations into segments in a reliable manner, the Management Board decided that the entire company operations fall into the ICT services segment and therefore no segments have been distinguished.
Revenue from the sales of major products is as follows:

	For the period 01/01-30/06/2008	For the period 01/01-30/06/2007
Integrated ICT infrastructure systems	26522	27141
Telecommunications and value-added services	33308	25563
Business security solutions and services	9395	3970
Application solutions	2243	1469
Multimedia solutions and services	1253	1266
Other services	1	32
Total sales revenue	**72722**	**59441**

Geographical operation segments as at June 30, 2007 and 2008

	For the period 01/01-30/06/2008	For the period 01/01-30/06/2007
Domestic sales	71248	58932
Exports	1474	509
Total sales revenue	**72722**	**59441**

NOTE 4
OPERATING EXPENSES

	For the period 01/01-30/06/2008	For the period 01/01-30/06/2007
Cost of goods sold	51926	43696
General and administrative costs	21791	16308
Total costs related to core operations	73717	**60004**
including:		
Amortization and depreciation	6253	3765
Consumption of materials and energy	2385	1935
Outsourcing	24890	24296
Salaries	12213	11686
Employee benefits	2574	2471
Taxes and other charges	683	648
Other types of expenses	(1303)	(3725)
Value of goods and materials sold	26022	18929
	73717	**60004**

The depreciation of property, plant and equipment is based on the principles described in Note 2. Write-downs concerning inventories are determined based on the principles described in Note 2. Inventory write-downs are reversed when inventories to which the write-down relates are sold or the circumstances due to which the write-down was made no longer continue. The cost of inventory write-downs as well as their reversal are recognized in the profit and loss account as part of the cost of goods sold.

Employee costs

	For the period 01/01-30/06/2008	For the period 01/01-30/06/2007
Salary from employment contracts	12213	11686
Salary from fixed amount contracts	1934	2061
Social insurance costs	-	-
Other benefits after the employment period	-	-
Charges to Enterprise Social Benefit Fund	50	-
Other employee benefits	590	410
	14787	**14157**

Salaries

Salary costs include salaries payable according to the terms and conditions of employment contracts concluded with individual employees. Salary costs also include bonuses, paid leave and share-based payment.

Employee benefits

Social insurance costs for group undertakings include pension, disability and accident insurance benefits as well as contributions to the Guaranteed Benefit Fund (*Fundusz Gwarantowanych Świadczeń*) and Labor Fund (*Fundusz Pracy*). In 2008 and 2007, those contributions amounted to 17.77% and 19.77% of the contribution calculation base determined pursuant to applicable laws, respectively.

Pension benefit costs include retirement severance paid to employees pursuant to the Labor Code. ATM S.A. is not party to any pension schemes or collective employment agreements that would entail other regulations in this regard. Long-term benefits are estimated using actuarial methods. Due to the immaterial nature of these provisions, based on the materiality principle included in the International Financial Reporting Standards Conceptual Framework, the provisions for long-term benefits at the end of the employment period have not been recognized in the financial statements. In the periods presented, the Company paid no such benefits.

ATM S.A. is under the obligation to establish the Enterprise Social Benefit Fund (ESBF). Charges to this fund are recognized as Company operating expenses and the money allocated to the fund has to be blocked in a separate bank account. In the financial statements, fund assets and liabilities are presented in net terms. Due to the nature of the fund's operations, the fund's assets equal its liabilities. The amounts of funds in the Enterprise Social Benefit Fund as at June 30, 2008 and December 31, 2007 were PLN 123,000 and PLN 96,000, respectively.

Other employee benefits include training in order to enhance employee skills, health care and other benefits stipulated in the Labor Code.

Costs of research and development

	For the period 01/01-30/06/2008	For the period 01/01-30/06/2007
Costs included directly in costs related to core operations	-	-
Amortization costs related to deferred development work costs	794	27
	794	**27**

Development work costs are recognized as intangible assets after the conditions described in Note 2 have been met and according to the principles described in Note 2. The amortization of capitalized development work costs is charged to general and administrative costs. Costs incurred in the research work stage and expenditure that does not meet the conditions required in order to be recognized as assets are directly charged to Company operating expenses as general and administrative costs.

NOTE 5
OTHER REVENUE

	For the period 01/01-30/06/2008	For the period 01/01-30/06/2007
Profit from the sale of fixed assets	59	-
Reversal of receivable write-downs	13	27
Damages received	36	47
Subsidies received	108	-
Other	35	66
	251	**140**

Revenue and profit that are not directly related to Company operations are classified as other operating revenue. This category includes the subsidies received, profit from the sale of property, plant and equipment, the damages received as reimbursement of court fees, overpaid tax liabilities (except for corporate income tax) and damages received for losses to insured Company property.

Other operating revenue also includes reversals of receivable and inventory write-downs as well as write-downs related to property, plant and equipment impairment. Other operating revenue includes revenue from the sale of subsidiaries.

NOTE 6
OTHER COSTS

	For the period 01/01-30/06/2008	For the period 01/01-30/06/2007
Receivable write-downs	42	4
Donations given	5	29
Other	27	-
	74	**33**

Costs and losses related to Company operations, but not directly related to main types of operating expenses, are classified as other operating expenses. This category includes losses on the sale of property, plant and equipment, donations (both in cash and in kind) to other entities, including public benefit entities and the costs related to receivable write-downs and impairment write-downs.

NOTE 7
FINANCIAL REVENUE

	For the period 01/01-30/06/2008	For the period 01/01-30/06/2007
Dividends received	863	-
Interest on bank deposits	842	96
Interest on deferred and overdue payments	480	393
Interest on securities	-	24
FX gains	3023	297
Other	84	-
	5292	**810**

Revenue from dividends received as well as interest on deposits and investments in various financial instruments are classified as financial revenue. As at the balance sheet date, i.e. June 30, 2007 and June 30, 2008, the Group had no forward transactions open. Financial operations also include foreign exchange gains.

NOTE 8
FINANCIAL EXPENSES

	For the period 01/01-30/06/2008	For the period 01/01-30/06/2007
Interest on bank loans	43	195
Budget interest	-	-
Bank fee	33	60
Finance lease costs	545	275
Other	4	1
	625	**531**

Borrowing costs and interest payable under finance lease agreements to which the Company is a party are classified as financial expenses.
The terms and conditions pursuant to which the Company has used external sources of funding (bank loans) have been presented in Note 20. Financial operations also include foreign exchange losses.

NOTE 9
INCOME TAX

	For the period 01/01-30/06/2008	For the period 01/01-30/06/2007
Statutory tax rate	19%	19%
Current income tax		
Current tax expense	-	-
Adjustments concerning previous years	-	-
		-
Deferred income tax		
Related to the origination and reversal of temporary differences	237	39
Related to change in the tax rate		
	237	**39**
Tax expense shown in the profit and loss account	**237**	**39**

Current tax expense is calculated on the basis of the tax regulations applicable. Pursuant to these regulations, tax profit (loss) is distinguished from accounting net profit (loss) due to the exclusion of non-taxable revenue and costs that are not tax-deductible as well as cost and revenue items that will never be subject to tax. Tax expense is calculated based on the tax rates applicable to the fiscal year in question. Since 2004, the rate applicable pursuant to amended regulations has amounted to 19%. Current regulations do not provide for any differences in tax rates during future periods.

With respect to income tax, the Company is subject to general regulations. As at the balance sheet day the Company did not operate in a Special Economic Zone, which would cause the principles for determining tax expense to differ from general regulations in this respect. Both the tax and balance sheet years coincide with calendar years.

Differences between the nominal and effective tax rates are as follows:

	For the period 01/01-30/06/2008	For the period 01/01-30/06/2007
Gross pre-tax earnings	3850	(176)
Effective tax rate	0	0
Tax at the effective rate	0	0
Tax at the statutory rate	731	(33)
Tax impact related to the different dates on which costs are considered tax-deductible	(1272)	426
Tax impact related to the different manners according to which revenue are recognized for tax purposes	143	(690)
Tax impact of tax losses deducted during the period	-	-
Tax impact of tax losses incurred during the period	398	297
Tax at the effective rate	**0**	**0**

Due to temporary differences between the tax base and the profit (loss) shown in the financial statements, deferred tax is established. The deferred income tax as at December 31, 2007 and June 30, 2008 results from the items shown in the table below.

	Balance sheet		Profit and loss acount	
	End of period, June 30, 2008	End of period, December 31, 2007	For the period 01/01-30/06/2008	For the period 01/01-30/06/2007
Deferred tax provision				
Difference between the balance sheet and tax value of fixed assets	1150	698	452	177
Recognized service revenue	152	776	(624)	776
Interest accrued	13	15	(1)	14
Foreign exchange gains	-	-	-	(3)
Provisions for deferred tax acquired as a result of business combination		-		-
Gross deferred tax provision	**1315**	**1489**	**(173)**	**964**
Deferred tax assets				
Deferred payment revenue	320	425	105	18
Inventory write-downs	215	190	(25)	(44)
Receivable write-downs	83	110	27	(8)
Written-off financial assets under litigation	55	55	-	-
Provisions for expenses	723	1037	313	(755)
Subsidies received	19	11	(9)	(7)
Tax losses to be deducted	-	-	-	-
Gross deferred tax assets	**1416**	**1828**		**(796)**
Net tax assets (tax provision)	**102**	**339**		
Deferred income tax charge on profit			**237**	**169**

NOTE 10
EARNINGS PER SHARE AND DIVIDENDS

Earnings per share

	For the period 01/01-30/06/2008	For the period 01/01-30/06/2007
Weighted average number of shares	36000000	3295642
Net profit for 6 months (PLN thousands)	3613	(216)
Net earnings per share (PLN)	0.10	(0.05)
Diluted net earnings per share (PLN)	0.10	(0.05)

Basic earnings per share are calculated by dividing the net profit for the period attributable to ordinary Company shareholders by the weighted average number of ordinary shares issued that are outstanding during the fiscal year.

ATM S.A. shares are ordinary shares and no preference is attached to them concerning either voting rights or dividend payouts.

Dividends paid and declared

In June 2006, the ATM S.A. Management Board announced a new dividend policy. According to this policy, investors should receive an annual dividend of not less than interest on bank deposits. The Company intends to pay an annual dividend in the amount of not less than the EURIBOR rate for annual deposits on the last day of the fiscal year, additionally increased by 0.5%, and multiplied by the Company’s listed value in the last month of the year. The new dividend policy will operate independently of the Company’s demand for capital required to sustain its high growth rate in the future and to finance long-term investments and acquisitions. Dividend is payable to shareholders who have already entrusted the Company with their money. On the other hand, offers to take up shares while increasing the Company’s capital will be extended to new investors or existing investors who plan to extend their capital involvement in the Company. ATM S.A. Management Board has pledged to run the Company’s enterprise in such a manner as to ensure that the profit achieved allows the execution of the above dividend policy at the end of each fiscal year, and will put forward an appropriate recommendation for the distribution of profit at the Company’s General Meetings.

On June 5, 2008, the General Meeting of Shareholders of ATM decided to pay out PLN 19,440,000.00 in dividend for 2007, i.e. PLN 0.54 per share. The entire 2007 net profit, i.e. PLN 18,230,867.42, and PLN 1,209,132.58 from the capital reserve were allocated for this purpose. The dividend record date set for September 5, 2008, and the dividend payment date was set for September 19, 2008.

NOTE 11
INTANGIBLE ASSETS

The goodwill recorded in the consolidated financial statements concerns the acquisition of the following undertakings:

	For the period 01/01-30/06/2008	For the period 01/01-30/06/2007
Costs of development	14522	12515
Concessions and licenses	3411	4071
Perpetual usufruct rights	-	-
Other intangible assets	17	-
	17950	**16586**
of which:		
Intangible assets used under finance lease agreements	155	207

Development work is recognized as an asset and amortized based on the principles described in Note 2.

As at June 30, 2008, development work includes the following projects developed in-house:

PC TV Platform under the ATM InternetTV

An in-house project developed by the Company since 2005 — the development of an Internet TV technology platform to be used for broadcasting live TV programs and the distribution of content in the video on demand and download modes. The signal from the platform developed is to be received by PCs. The platform has been implemented in order to provide commercial services both by the Issuer itself and in collaboration with its subsidiary Cineman Sp. z o. o. — the implementation of the video on demand mode was completed in the first quarter of 2007.

The next stage was the incorporation of a live program distribution mode to the ATM InternetTV. Thanks to the creation of distribution modes for receivers other than PCs: TV sets (via an appropriate set-top box device) and cell phones, a wider platform known as ATM InteractiveTV was created. In 2008, Centrum Badawczo-Rozwojowe ATM-Lab Sp. z o.o company which is owned by ATM S.A., started its business activity. It took over the team responsible for ATM InteractiveTV project and continues developing this technology.

POS TV Platform under the ATM IndoorTV

From August 2005 to May 2006, the Company developed an in-house project called the SSM (Spread Screens Manager). Under this project, an ATM IndoorTV technology platform was developed for the remote management of point-of-sales advertising content broadcasting (POS-TV — Point of Sales Television). ATM S.A. installs terminals (computers with LCD screens and wireless links) at locations agreed with the customer, e.g. near checkout counters at stores or at travel agencies. Subsequently, the Issuer receives video content as well as other information from the customer and agrees the broadcasting scenarios. The content is distributed to terminals via a mobile communications network (GPRS/EDGE/UMTS). The terminals are controlled and the proper execution of scenarios is supervised in the same manner. The service was awarded the 2006 Złota Antena (Golden Antenna) by the "Świat Telekomunikacji" monthly. It is a comprehensive service covering the lease of terminals (screens), communications network operation and access to the SSM platform.

ATM BCP (Business Continuity Planning)

Within the framework of another in-house project that was underway from June to December 2005, ATM S.A. developed the Atmosfera BCP — currently ATM BCP. The functionality of the product is gradually extended depending on the customers' needs. The product addresses business continuity planning by supporting threat analysis and the development, updating and implementation of contingency plans. It meets the demand of the banking sector, assisting banks in satisfying the requirements of banking supervision recommendations related to the so-called New Capital Accord (Basel II).

Remote archive

From June 2007 onwards, Polish law will make it possible to maintain patients' files in electronic format only, provided that certain standards, *inter alia* concerning security, are met. The Issuer's long-standing experience in the development of ICT solutions leveraging state-of-the-art security technologies and systems contributed to the establishment in June 2006 of a department whose business objectives include the development of a modern remote medical archive and the marketing of this solution in the Polish medical market.

The remote archive is to enable the secure storage of medical images together with associated patient details and examination reports as well as remote access to the data. It will also provide statistics and search tools. The data are secure, electronic storage is cheaper and virtually instant access is possible. The unique advantage of this system is the possibility of remote access to examination data by authorized parties using any computer. The remote archive system is to enable easy migration, eventually becoming a module of the Electronic Medical File. Apart from disk storage, indexing systems are used that can store any data structures and communicate with other systems via software interfaces. This means that any establishment using the archive will be able to extend its system in any manner, using fully electronic patient files.

Voice over IP

In order to complement its existing range of services on offer, the Issuer introduced Internet telephony services: ATMAN Business.Voice and ATMAN IP.Voice. These are targeted at business customers as well as partners who wish to provide services to their customers. ATMAN Voice services consist in enabling voice calls based on the VoIP (Voice over IP) technology.

This enables voice traffic to be integrated with data transmission services by developing a single universal network that can carry any kind of traffic. The services offer traditional telephone functionality as well as the convenient management of the customer's phone account via a webpage and many additional functions such as conference calls, call forwarding, IVR, etc. The solution offered by the Issuer enables customers to reduce ICT service expenses, particularly those related to phone calls, and ensures the seamless transition from traditional phone services towards an entirely IP-based network.

Atmosfera IT Service Desk Suite

Since 2000, the Issuer has steadily developed the Atmosfera business process support system.

The system enables the streamlined organization and enhancement of user support processes as well as the implementation of the service-oriented approach in the IT industry. In December 2006, the

Atmosfera Service Desk v. 5.0 system was certified by the Canadian Pink Elephant company as ITIL compliant in the Service Support area as the only Polish solution to date. ITIL, which stands for IT Infrastructure Library, is the most important IT service provision methodology. This certification allows the Issuer to effectively compete with global suppliers for major deployment projects concerning such systems.

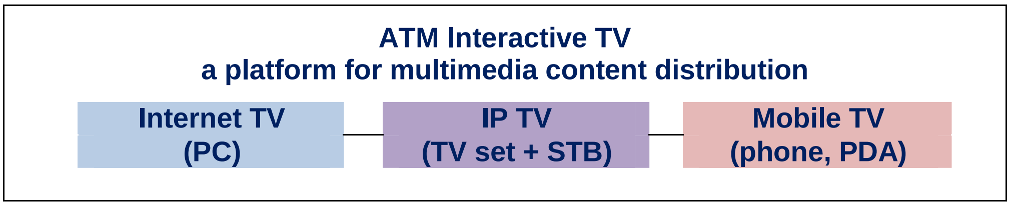
The Atmosfera system operates, *inter alia*, at such companies as Polska Telefonia Cyfrowa Sp. z o. o. (the operator of Era and Heyah mobile networks), Agora SA, PLL LOT SA, Netia SA, Telewizja Polska SA and P4 Sp. z o. o. (the operator of the Play mobile network). The overwhelming majority of system users upgrade it regularly, including subsequent organization processes in its scope. In 2007, more deployment projects are being executed.

As a result of the growing demand for high-performance Service Desk systems from smaller organizations, this year the Issuer started to sell the Atmosfera system as a service within the framework of the ASP (Application Service Provider) model.

ATM MobileTV

ATM MobileTV is a technology platform developed by the Issuer, which enables the provision of multimedia services, including the broadcasting of video content, for mobile device users who use the data transmission services provided by cell phone networks.

The work on the development of the Internet TV technology platform conducted by the Issuer since 2005 has resulted in several functional extensions. The first version of the ATM InternetTV platform is already in operation and is used to provide video on demand services over IP networks. In the first half of 2007, work was underway on extending its functionality in order to enable the broadcasting of live TV programs. The signal from this platform can be received by PCs. Work is also underway on the further development of this line of solutions (which are offered under the ATM InteractiveTV brand — see diagram below) which will enable broadcasting for receivers other than PCs: TV sets (via an appropriate set-top box device) and cell phones. The development plans drawn up assume the gradual implementation of subsequent modules in 2007 and 2008.



The work has been conducted within the framework of the “Technology platform for next generation mobile services (mobile VOD, theme channels, enhanced user interaction)”, which has received financing under the Improvement of the Competitiveness of Enterprises Sectoral Operational Program 1.4.1. In 2008, Centrum Badawczo-Rozwojowe ATM-Lab Sp. z o.o company which is owned by ATM S.A., started its business activity. It took over the team responsible for ATM InteractiveTV project and continues developing this technology.

mPay mobile payments system

ATM S.A. has formed a consortium with its subsidiary mPay S.A. and is among the companies working on the “mPay mobile payments system” research and development project, which has received financing under the Improvement of the Competitiveness of Enterprises Sectoral Operational Program 1.4.1. Within the framework of the project, scenarios are being developed with regard to the handling of various types of payment acceptors, methods for detecting fraud attempts and protecting against them are being perfected, and the user interface is being designed.

The share of development work underway in overall capitalized cost of development work is presented in the table below:

PC TV Platform under the ATM InternetTV

An in-house project developed by the Company since 2005 — the development of an Internet TV technology platform to be used for broadcasting live TV programs and the distribution of content in the video on demand and download modes. The signal from the platform developed is to be received by PCs. The platform has been implemented in order to provide commercial services both by the Issuer itself and in collaboration with its subsidiary Cineman Sp. z o. o. — the implementation of the video on demand mode was completed in the first quarter of 2007.

The next stage was the incorporation of a live program distribution mode to the ATM InternetTV. Thanks to the creation of distribution modes for receivers other than PCs: TV sets (via an appropriate set-top box device) and cell phones, a wider platform known as ATM InteractiveTV was created. In 2008, Centrum Badawczo-Rozwojowe ATM-Lab Sp. z o.o company, which is owned by ATM S.A., started its business activity. It took over the team responsible for ATM InteractiveTV project and continues developing this technology.

POS TV Platform under the ATM IndoorTV

From August 2005 to May 2006, the Company developed an in-house project called the SSM (Spread Screens Manager). Under this project, an ATM IndoorTV technology platform was developed for the remote management of point-of-sales advertising content broadcasting (POS-TV — Point of Sales Television). ATM S.A. installs terminals (computers with LCD screens and wireless links) at locations agreed with the customer, e.g. near checkout counters at stores or at travel agencies. Subsequently, the Issuer receives video content as well as other information from the customer and agrees the broadcasting scenarios. The content is distributed to terminals via a mobile communications network (GPRS/EDGE/UMTS). The terminals are controlled and the proper execution of scenarios is supervised in the same manner. The service was awarded the 2006 Złota Antena (Golden Antenna) by the "Świat Telekomunikacji" monthly. It is a comprehensive service covering the lease of terminals (screens), communications network operation and access to the SSM platform.

ATM BCP (Business Continuity Planning)

Within the framework of another in-house project that was underway from June to December 2005, ATM S.A. developed the Atmosfera BCP — currently ATM BCP. The functionality of the product is gradually extended depending on the customers' needs. The product addresses business continuity planning by supporting threat analysis and the development, updating and implementation of contingency plans. It meets the demand of the banking sector, assisting banks in satisfying the requirements of banking supervision recommendations related to the so-called New Capital Accord (Basel II).

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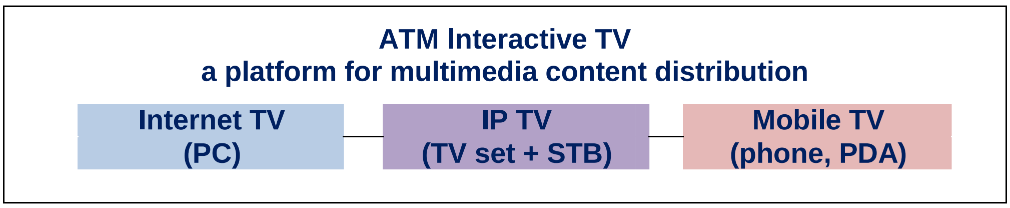

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The share of development work underway in overall capitalized cost of development work is presented in the table below:

	End of period, June 30, 2008	End of period, December 31, 2007
PC-TV platform	3829	3118
mPay platform	576	576
Atmosfera platform	2184	624
SMaCS Platform	-	323
Network monitoring	-	158
Multimedia content network distribution system	167	-
BCP platform	12	-
	6768	**4799**

The costs of the aforementioned projects were tested for impairment as at the balance sheet date. No impairment concerning these expenditures was identified as per the procedures followed.

Concessions and licenses concern primarily licenses for computer systems and software tools used in the Group’s operations.

As at June 30, 2008, there were no impairment write-downs concerning intangibles.

Changes in the net amount of intangibles are presented in the following tables.

Movements in the amount of intangible assets during the period from January 1 to June 30, 2008

	Costs of completed development works	Concessions and licenses	Perpetual usufruct rights	Other intangible assets	Total
Gross value					
Data as at January 1, 2008	**13045**	**6430**	**-**	**-**	**19475**
Increases:					
- acquisition	342	413	-	17	773
- developed in-house	2458	-	-	-	2458
- acquired as a result of business combination	-	-	-	-	-
Decreases:					
- sale	-	-	-	-	-
- liquidation	-	-	-	-	-
Data as at June 30, 2008	**15845**	**6830**	**-**	**17**	**22692**
Write-offs					
Data as at January 1, 2008	**530**	**2359**	**-**	**-**	**2889**
Increases:					
- depreciation	794	1074	-	-	1868
- impairment	-	-	-	-	-
- acquired as a result of business combination	-	-	-	-	-
Decreases:					
- sale and liquidation	-	14	-	-	14
Data as of June 30, 2008	**1324**	**3419**	**-**	**-**	**4743**
Net as at June 30, 2008	**14521**	**3411**	**-**	**17**	**17950**

Movements in the amount of intangible assets during the period from January 1 to December 31, 2007

	Costs of completed development works	Concessions and licenses	Perpetual usufruct rights	Other intangible assets	Total
Gross value					
Data as at January 1, 2007	**3704**	**3500**	**-**	**-**	**7204**
Increases:					
- acquisition	-	3318	-	-	3318
- developed in-house	9340	-	-	-	9340
- acquired as a result of business combination	-	-	-	-	-
Decreases:					
- sale	-	6	-	-	6
- liquidation	-	383	-	-	382
Data as at December 31, 2007	**13045**	**6430**	**-**	**-**	**19475**
Write-offs					
Data as at January 1, 2007	**166**	**1646**	**-**	**-**	**1812**
Increases:					
- depreciation	364	1110	-	-	1464
- impairment	-	-	-	-	-
- acquired as a result of business combination	-	-	-	-	-
Decreases:					
- sale and liquidation	-	387	-	-	387
Data as of December 31, 2007	**530**	**2359**	**-**	**-**	**2889**
Net as at December 31, 2007	**12515**	**8796**	**-**	**-**	**16586**

NOTE 12
FIXED ASSETS

	End of period, June 30, 2008	End of period, December 31, 2007
Fixed assets		
Land	-	-
Buildings and structures	64490	39260
Machinery and equipment	31868	24564
Means of transportation	4053	3797
Other	115	110
Fixed assets under construction	8955	10002
Advances for fixed assets under construction		-
	109481	**77734**
including:		
Fixed assets used under finance lease agreements	25234	26394

The Company has no liabilities to the State Treasury arising from the transfer of ownership title to real estate.

The Company uses fixed assets under finance lease agreements. The agreements concern:

- machinery and equipment with a value of PLN 27,225,000;
- means of transportation with a value of PLN 3,754,000.

Finance lease liabilities are recognized in the balance sheet as other financial liabilities and divided into short- and long-term liabilities. Detailed information on material finance lease agreements has been included in Note 24.

In 2005, the Group sold a property situated at Grochowska 21a to Fortis Lease Sp. z o. o. under a sale-and-lease-back agreement. This lease agreement was classified as operating lease. Detailed information on operating lease agreements has been disclosed in Note 25.

As at June 30, 2008, there were no impairment write-downs concerning fixed assets.
Changes in the amount of fixed assets are presented in the following tables.

Movements in the amount of fixed assets from January 1, 2008 to June 30, 2008

	Land	Buildings and structures	Machinery and equipment	Means of transportation	Other	Total
Gross value						
Data as at January 1, 2008	**-**	**44001**	**35355**	**5171**	**144**	**84670**
Increases:						
- acquisition		26322	1879	-	12	28213
- financial leasing		-	8517	621	-	9138
- other		-	-	-	-	
Decreases:						
- sale		-	101	235	-	336
- liquidation		-	14	-	-	14
- other		-	-	-	-	-
Data as at June 30, 2008		**70323**	**45636**	**5557**	**156**	**121671**
Write-offs						
Data as at January 1, 2008	**-**	**4741**	**10791**	**1374**	**34**	**16939**
Increases:						
- depreciation		1092	3037	300	7	4436
- impairment		-	-	-	-	-
Decreases:						
- sale and liquidation		-	61	170	-	231
- other		-	-	-	-	
Data as of June 30, 2008		**5833**	**13767**	**1504**	**41**	**21145**
Net as at June 30, 2008		**64490**	**31868**	**4053**	**115**	**100526**

Movements in the amount of fixed assets from January 1, 2007 to December 31, 2007

	Land	Buildings and structures	Machinery and equipment	Means of transportation	Other	Total
Gross value						
Data as at January 1, 2007	**-**	**22127**	**25610**	**3581**	**134**	**51452**
Increases:						
- acquisition	-	22484	1724	140	10	24358
- financial leasing	-	-	8339	1585	-	9924
- other						
Decreases:						
- sale	-	610	205	135	-	950
- liquidation	-	-	113	-	-	113
- other	-	-	-	-	-	-
Data as at December 31, 2007	**-**	**44001**	**35355**	**5171**	**144**	**84670**
Write-offs						
Data as at January 1, 2007	**-**	**2889**	**6098**	**894**	**18**	**9899**
Increases:						
- depreciation	-	1955	4815	512	16	7298
- impairment	-	-	-	-	-	-
Decreases:						
- sale and liquidation	-	103	123	32	-	258
- other	-	-	-	-	-	-
Data as of December 31, 2007	**-**	**4741**	**10791**	**1374**	**34**	**16939**
Net as at December 31, 2007	**-**	**39260**	**24564**	**3797**	**110**	**67732**

NOTE 13
INVESTMENTS IN ASSOCIATES

	Name	Registered office	Subject of enterprise	Type of relationship	Consolidation method	Consolidation date	Value of shares at acquisition price	Total value of adjustment	Share value	Stake in share capital	Share in the overall number of votes	Consolidation type indicator
1.	ATM Services Sp. z o.o.	Łódź, Łąkowa 29	IT services	subsidiary	Full consolidation method	23.04.2001	304	-	304	60.00	60.00	-
2.	mPay International Sp. z o.o.	Warszawa, Grochowska 21a	Intellectual property management	subsidiary	Full consolidation method	02.02.2006	5552	-	5552	60.00	60.00	-
3.	mPay S.A.	Warszawa, Grochowska 21a	mobile payment settlement	subsidiary	Full consolidation method	02.02.2006	1	-	1	0.00	0.00	99.9999% of the capital is held by mPay International Sp. z o.o.
4.	Rec-order Sp. z o.o.	Warszawa, Grochowska 21a	online sales	subsidiary	Full consolidation method	02.02.2006	-	-	-	0.12	0.12	99.88% of the capital is held by mPay International Sp. z o.o.
5.	Iloggo Sp. z o.o	Warszawa, Grochowska 21a	Web services	subsidiary	Full consolidation method	13.02.2006	300	-	300	60.00	60.00	
6.	Cineman Sp. z o.o	Warszawa, Grochowska 21a	Web multimedia services	subsidiary	Full consolidation method	21.08.2006	510	-	510	51.00	51.00	-
7.	KLK – Technologie Informatyczne Sp. z o.o	Katowice, Pod Młynem 1c	integration of ICT systems	subsidiary	Full consolidation method	31.10.2006	15110	-	15110	78.74	78.74	-
8.	Sputnik Software Sp. z o.o.	Poznań, Kordeckiego 30b	software development	subsidiary	Full consolidation method	27.03.2007	3536	-	3536	60.00	60.00	-
9.	Centrum Badawczo Rozwojowe ATM-Lab Sp. z o. o.	Warszawa, Grochowska 21a	ICT research	subsidiary	Full consolidation method	13.08.2007	50	-	50	99.9	99.9	

10.	Linx Telecommunications	Hullenbergweg 375 1101 CR Amsterdam Netherlands	Telecommunica-tions services	associate	Equity method	21.08.2007	63487	-	63487	21.67	21.67
11.	Impulsy Sp. z o. o.	Warszawa, Racławicka 127	Integration of ICT systems	subsidiary	Full consolidation method	29.10.2007	3792	-	3792	78.47	78.47
12.	Centrum Innowacji ATM Sp. z o.o.	Warszawa, Grochowska 21a	Operations in SSE Łódź	subsidiary	Not consolidated – no activity stared	06.03.2008	50	-	50	100	100

	ATM Services Sp. z o.o.	mPay International Sp. z o.o.	mPay S.A.	Rec-order Sp. z o.o.	Iloggo Sp. z o.o	Cineman Sp. z o.o	KLK – Technologie Informatyczne Sp. z o.o	Sputnik Software Sp. z o.o.	Centrum Badawczo Rozwojowe ATM-Lab Sp. z o. o.	Linx Telecommunications	Impulsy Sp. z o. o.
I. Entity equity, including:	843	8002	3550	17	134	562	8854	1960	152	101468	1507
1. share capital	500	9250	6900	100	500	600	305	250	50	426	130
2. due payments to share capital	-	-	-	-	-	-	-	-	-	-	-
3. supplementary capital	158	-	-	-	-	-	7880	-	-	184105	1401
4. other equity, including:	185	(1248)	(3350)	(83)	(366)	(38)	670	1710	101	(83060)	(24)
Profit (loss) from previous years	(4)	(515)	(1787)	(79)	(375)	(298)	428	-	(11)	(86428)	-
Net profit (loss)	189	(733)	(1564)	(4)	9	(140)	242	389	112	1454	(24)
II. Liabilities and liability reserves, including:	1071	2164	3285	18	19	45	15074	2547	169	18820	754
1 Long-term liabilities	277	-	128	-	-	-	3574	1008	-	1573	-
2. short-term liabilities	778	2164	2283	18	19	45	11230	1229	169	16895	278
III. Receivables, including:	1320	133	578	3	17	47	10946	1076	76	11367	243

1. Long-term receivables	-	-	5	-	-	-	212	62	-	-	-
2. short-term receivables	1320	133	573	3	17	47	10735	1014	76	11367	243
IV. Total assets	1913	10166	6835	36	153	607	23928	4507	320	120288	2262
V. Sales	3331	10	50	0	25	38	20343	3225	1312	41045	752
VI. Entity share value not paid by the Issuer	-	-	-	-	-	-	-	-	-	-	-
VII. Dividends received or due by the entity for the last fiscal year	-	-	-	-	-	-	-	-	-	-	-

NOTE 14
OTHER FIXED ASSETS

	End of period, June 30, 2008	End of period, December 31, 2007
Guarantee deposits	24	26
Trade receivables	12120	13533
Prepaid maintenance costs	64	126
	12208	**13685**
of which payable within:		
from 1 to 2 years	11599	5092
from 3 to 5 years	331	8124
more than 5 years	278	469

Guarantee deposits include amounts retained by Company customers in relation to the services and goods delivered. In most cases, such deposits are retained for periods ranging from 1 to 5 years. Guarantee deposits are not indexed. Trade receivables include the part of trade receivables which the Group will receive at a date later than 12 months from the balance sheet date.

The receivables recorded as at December 31, 2007 and June 30, 2008 have payment dates of up to 2013. They are the result of deferred payment sales whose value has been measured at fair value and is equivalent to the present value of the payment. The installments receivable have been discounted using 12M WIBOR and the market margin based on the parent undertaking's lending margin. Interest is recognized as financial revenue for relevant periods using the effective interest rate method.

Deferred payment sales (deferred beyond the normal terms and conditions applied by the Group) concern incidental sales transactions. The Company has no policy concerning significantly longer payment terms or installment sale procedures.

Prepaid maintenance costs are prepayments related to maintenance services provided during subsequent periods whose contractual term is longer than 12 months from the balance sheet date.

NOTE 15
INVENTORIES

	End of period, June 30, 2008	End of period, December 31, 2007
Materials	856	938
Work in process	-	-
Goods	6033	5773
Receivable write-downs	(386)	(386)
	6503	**6325**

Inventories are valued based on the principles described in Note 2. The effects of establishing and reversing write-downs are charged to the cost of goods sold as the cost of stocks that have been used up.

NOTE 16
TRADE AND OTHER RECEIVABLES

	End of period, June 30, 2008	End of period, December 31, 2007
Trade receivables from related undertakings	1028	5129
Trade receivables from other undertakings	26380	58729
Tax receivables	218	31
Payments on account	17	84
Other receivables	1334	172
Receivables under litigation	135	-
Receivable write-downs	(438)	(578)
	28674	**63 567**

Trade terms applicable to related undertakings have been presented in Note 27. Trade receivables do not bear interest and they are usually payable within 14 to 35 days. Receivables under litigation are written off in full.

The fair value of trade and other receivables does not differ significantly from their book values recorded in the balance sheet.

NOTE 17
OTHER CURRENT ASSETS

	End of period, June 30, 2008	End of period, December 31, 2007
Prepaid maintenance costs	735	1259
Prepaid subscriptions, rents, insurance	143	83
Other	38	22
	916	**1364**

Other current assets include expenses related to deferred costs. In particular, these are prepaid service fees. These assets are charged to operating expenses on the time basis or on the basis of the amount of service, depending on their nature.

NOTE 18
CASH AND CASH EQUIVALENTS

	End of period, June 30, 2008	End of period, December 31, 2007
Cash in hand	8	252
Cash in bank	697	62579
Short-term deposits	33985	42
	34689	**62873**

Cash in the bank bears interest at floating interest rates, which depend on the interest rate on overnight bank deposits. Short-term deposits have various maturities ranging from overnight to three months depending on current demand for cash and bear interest according to the interest rates agreed.

The fair value of cash and cash equivalents equals their balance sheet value.

NOTE 19
EQUITY

Core capital

	End of period, June 30, 2008	End of period, December 31, 2007
Registered share capital	34200	34200
Hyperinflationary adjustment	197	197
	34397	**34397**

Registered share capital includes:

Series	Number of shares	Face value	Registration Date	Dividend registration rights	Paid for by	Share type
A	36000000	34200000	5.12.2007	*)	cash	ordinary
	Face value per share (PLN):			0.95		

*) all shares have the right for dividend for 2007 in the amount of PLN 0.54 per share.

Application of IAS 29 “Financial Reporting in Hyperinflationary Economies”

Pursuant to IAS 29 “Financial Reporting in Hyperinflationary Economies,” ATM S.A. introduced a hyperinflationary adjustment of share capital based on monthly consumer price indices, amounting to PLN 197,000. The entire share premium account was accrued after the hyperinflationary period, and therefore the hyperinflationary adjustment was not applied to this component of equity.

Incentive Scheme

Pursuant to Resolution No. 11/2008 of the Ordinary General Meeting of Company Shareholders of June 5, 2008, an Incentive Scheme for ATM Capital Group employees was approved for the years 2008–2010. This resolution allowed also for the purchase of no more than 1,500,000 shares needed in connection to the program in the years 2008–2010, for an amount not exceeding PLN 13.5 million.

The Scheme is aimed at Company employees and partners, members of Management Boards and other ATM S.A. Group of Companies employees and partners.

Incentive Scheme participants have the right to purchase shares at face value from the Company (share purchase options).

The list of persons authorized to buy shares for each of the three periods is prepared by the ATM S.A. Management Board and approved by the Supervisory Board.

In subsequent stages the number of share purchase options may not exceed:

- 400,000 in 2008;
- 500,000 in 2009;
- 600,000 in 2010.

Unused options of a given period may be subsequently used in the remaining periods. In justified cases the number of options determined for a given period may be increased by no more than 15%, with the reservation that the total option limit may not exceed 1,500,000.

Based on the determined share purchase options, shares can be purchased by Incentive Scheme participants pursuant to an agreement concluded with the Company, which includes the following provisions:

- purchased shares shall be transferred to the investment account of the authorized person carried by the brokerage house indicated by the Company;
- the authorized person shall conclude an agreement with the brokerage house, according to which 80% of the purchased shares will be blocked (not available for sale or security);
- the purchased shares will be unblocked in the amount of 20% each year, starting from the date of their transfer to the investment account of the authorized person.

The Company has the right to repurchase and the authorized person has the obligation of selling shares blocked on investment account of the authorized person at face value if:

6) an employment contract concluded between the Group and the Incentive Scheme participant or any other agreement pursuant to which the participant provides services or works for one of the companies of the Group is terminated or expires for any reason;
7) the participant seriously infringes his contractual obligations agreed upon in an employment contract or other civil law agreement pursuant to which the participant provides services or works for one of the companies of the Group;
8) the participant runs competitive activity with regard to the Company or one of the companies of the Group without a written consent of the ATM S.A. Management Board;
9) a legally valid prohibition to perform his/her works in the bodies of the companies or an interdiction of business activity is imposed on the participant;
10) the participant is sentenced for any of the offences mentioned in Art. 585-592 and 594 of the Code of Commercial Partnerships and Companies, offences listed in part X of the law on financial instruments trading of July 29, 2005 (Journal of Laws 2005, No. 183, item 1538), economic offences listed in Art. 296-306 of the Penal Code or any other offence whose committing is directly linked to the performance of his/her obligations as member of the management board of a capital company.

The number of share purchase options shall be applied to Company shares whose face value is PLN 0.95. In the case of a split of Company shares, these amounts will be increased in the same proportion as the mentioned split.

Ownership structure

The ownership structure of ATM S.A. share capital as at June 30, 2008 was as follows:

Shareholder	Number of shares 30/06/2008	%	Number of shares* 31/12/2007	%
Tadeusz Czichon — Management Board Vice-President	5904000	16.40	5904000	16.40
Roman Szwed — Management Board President	3635984	10.10	3635984	10.10
Polsat OFE	3580920	9.95	3580920	9.95
ING Nationale-Nederlanden Polska OFE	3505144	9.74	3505144	9.74
AIG TFI	1860624	5.17	1860624	5.17
Millennium TFI	1822912	5.06		
PKO TFI	1778347	4.94	1917896	5.33
Other shareholders	13912069	38.64	15595432	43.31
	36 000 000	100	36 000 000	100

* The number of shares as at December 31, 2007 has been converted according to the number of shares held after the split of January 10, 2008.

The above figures reflect share ownership of natural persons as of August 11, 2008.

The data concerning POLSAT OFE and ING-Nationale Nederlanden Polska OFE refer to the number of shares owned by these shareholders on December 31, 2007 based on the “Annual asset structure”. The figures concerning AIG TFI (AIG Fund Management Company) refer to the number of shares held by this shareholder as notified in the notice of July 13, 2007, and the number of series H shares allotted on August 9, 2007. The figures concerning Millennium TFI (Millennium Fund Management Company) refer to the number of shares held by this shareholder as notified in the notice of April 29, 2008. The figures concerning PKO TFI come from a notification received by the Company from a Shareholder on July 8, 2008 concerning sale of 68,966 ATM S.A. shares, thank to which the overall number of votes at the General Meeting of Shareholders dropped below 5%. The Company has no information from other Shareholders regarding any changes to share ownership after the indicated date.

Furthermore, the Company’s Management Board has not received any other notifications concerning the crossing of the 5% threshold by shareholders who purchase shares on the stock market.

Capital reserves

The Company establishes a capital reserve pursuant to its articles of association. Company profit, which may be distributed in subsequent periods or allocated to exceptional losses or other expenses, may be allocated to the capital reserve.

Retained earnings

	End of period, June 30, 2008	End of period, December 31, 2007
Retained earnings brought forward, of which:		
Statutory supplementary capital	10280	10020
Profit distribution (above the statutory amount)	-	-
IFRS implementation profits (losses)	2969	2969
Current period profit (loss)	3613	18491
	16862	**31481**

Retained earnings brought forward include the entire profit retained by the Company pursuant to the shareholders' decision as well as the effects of IFRS implementation.

Pursuant to Article 396 (1) of the Code of Commercial Partnerships and Companies, supplementary capital should be established in order to cover losses. At least 8% of the profit for the fiscal year is allocated to the supplementary capital until it reaches at least one third of the share capital. This portion of supplementary capital (retained earnings) cannot be distributed among Shareholders.

NOTE 20
BANK LOANS AND OTHER LOANS

	End of period, June 30, 2008	End of period, December 31, 2007
Bank loans	-	-
Other loans	-	-
	-	**-**

ATM S.A. uses Fortis Bank Polska S.A. multipurpose credit facilities up to the amount of PLN 15,000,000. The Company may use this form of credit as guarantee options or authorized overdrafts.

Currency composition of loans

	End of period, June 30, 2008	End of period, December 31, 2007
PLN loans	-	-
EUR loans	-	-
	-	**-**

Average loan interest rates

	End of period, June 30, 2008	End of period, December 31, 2007
Interest rate on loans contracted by Group undertakings:		
Authorized overdrafts	6.95%	5.75%
PLN bank loans	-	-
EUR bank loans		

Detailed information on the debt related to these loans has been presented in tables below.

Specification of liabilities arising from bank loans as at June 30, 2008

	Base loan value			Short-term portion		Long-term portion				
Lender	Loan amount in '000 PLN	Loan amount	Loan currency	Loan amount in PLN	Loan amount	Loan amount in PLN	Loan amount	Interest rate	Repayment date	Security
Fortis Bank Polska SA (authorized overdraft)	15000	-	-	-	-	-	-	WIBOR1M plus bank margin	28.05.2009	- blank promissory note - statement of submission for enforcement proceedings
	23537	**-**		**-**	**-**	**-**	**-**			

NOTE 21
PROVISIONS FOR LIABILITIES

	End of period, June 30, 2008	End of period, December 31, 2007
Provision for warranty repairs	-	-
General risk provisions	-	-
	-	**-**
of which:		
Long-term portion		
Provisions for maintenance costs	-	-
Provisions for expenses	-	-
Provisions for bank guarantee costs	-	-
	-	**-**
Short-term portion		
Provision for warranty repairs	-	-
General risk provisions	-	-
	-	**-**

NOTE 22
LONG-TERM TRADE LIABILITIES AND OTHER LIABILITIES

	End of period, June 30, 2008	End of period, December 31, 2007
Trade liabilities to related undertakings	-	-
Trade liabilities to other undertakings	-	-
Deferred payment sales interest	989	-
Subsidies for fixed asset financing	3131	3226
Other	3	-
	4123	**3226**
of which payable within:		
from 1 to 2 years	938	418
from 3 to 5 years	852	418
more than 5 years	2333	2390

The subsidies received for fixed asset financing concern the extension and upgrade of telecommunications infrastructure and the Collocation Center in Warsaw.

NOTE 23
SHORT-TERM TRADE LIABILITIES AND OTHER LIABILITIES

	End of period, June 30, 2008	End of period, December 31, 2007
Trade liabilities to related undertakings	1049	1320
Trade liabilities to other undertakings	17288	44838
Liabilities arising from taxes and social insurance	2486	8970
Advances received	-	170
Payroll liabilities	56	5
Other liabilities and accruals, including:	3593	7192
liabilities arising from outstanding leaves	188	188
settlements related to uninvoiced expenses	2230	6478
Subsidies	228	52
Deferred income	910	474
Other liabilities	37	-
	24472	**62495**

Trade liabilities do not bear interest and they are usually payable within 7 to 60 days.

In 2007 and in the first half of 2008, the Company did not rely on a small group of suppliers. Only one supplier — Cisco Systems — exceeded a 10% threshold of overall purchases (its share of the Company's overall purchases in 2007 amounted to 28,5%, and in the first half of 2008 it was 43.5%). Considering the stable position of Cisco as a global leader in the IT technology market, and considering the highly successful progress in cooperation, also supported by certification requirements, this reliance is not considered to pose a significant risk of supplier concentration. As at December 31, 2007, liabilities to this supplier came to PLN 17,786,000; as at June 30, 2008, they were PLN 12,204,000.

NOTE 24
OTHER FINANCIAL LIABILITIES

Other financial liabilities include liabilities arising from finance lease agreements and agreements for financing receivables. Detailed information on these liabilities has been presented below.

	End of period, June 30, 2008	End of period, December 31, 2007
Value of liabilities arising from finance leases due within:		
- one year	6358	4911
- two to five years	14757	9233
- more than 5 years	-	3846
	21115	17990
Future interest expenses (-)	(1696)	(1665)
Present value of future liabilities	19419	16325
of which:		
Amounts due within the next 12 months (included in short-term liabilities)	5603	4298
Amounts due after more than 12 months, within:	13816	12052
- two to five years	13816	8391
- more than 5 years	-	3661

Finance lease agreements concern machinery and equipment, means of transportation and software licenses constituting intangible assets. As at June 30, 2008, the Company was party to 95 agreements, under which it leased fixed assets with a total net value of PLN 30,979,000 as at that date .

As at December 31, 2007, the Issuer was party to 85 agreements, under which it leased fixed assets with a total net value of PLN 16,580,000 as at that date.

The lease agreements were concluded for periods ranging from 36 to 72 months and are denominated in EUR, JPY or in PLN. The agreements provide neither for contingent rents nor any subleases. Most agreements include a clause concerning the purchase option at a contractual price lower than the fair value of the leased asset. The agreements do not involve any constraints for the lessee apart from the payment of liabilities arising from lease installments and the general terms and conditions concerning the proper use of leased assets.

	End of period, June 30, 2008	End of period, December 31, 2007
Amount of liabilities arising from receivables financing due within:		
- one year	3608	-
- two to five years	4929	-
- more than 5 years	-	-
	8537	-

The receivables financing agreement was concluded with Fortis Bank Polska S.A. and concerns the financing of receivables arising from installment sale.

NOTE 25
OPERATING LEASES

Operating lease liabilities — ATM S.A. as lessor

With regard to operating leases, the Company is party to no material agreements as a lessor. Lease agreements include mainly agreements concerning the lease of office space to other undertakings.

These are both definite and indefinite term agreements. Every agreement includes a clause enabling each party to terminate it with a contractual period of notice not exceeding three months. The Company does not include any clauses concerning contingent rents or the possibility of concluding sublease agreements in such agreements. The agreements concluded by the Company do not include any obligation to conclude a new agreement for a similar period and equivalent asset where the original agreement is terminated. In some cases, the agreements provide for the lessee's obligation to submit a deposit, but these payments are treated as returnable deposits and are not subject to indexation.

Due to the nature of the agreements concluded, the Company — insofar as it is the lessor with regard to operating lease — is not party to any irrevocable agreements.

Operating lease liabilities — ATM S.A. as lessee

In the period covered by the financial statement, the Company as the lessee was party to operating lease agreements concerning property leases.
Due to the nature of the agreement concluded, the Company — insofar as it is the lessee with regard to operating lease — is not party to any irrevocable agreements.

Property leases include the Telecommunications Center situated in Warsaw at Grochowska 21 a. Pursuant to the agreement concluded on December 21, 2005 and the annex to the agreement of March 7, 2006, ATM S.A. sold a property, which included the right of perpetual usufruct of land and buildings constructed on this land, to Fortis Lease Polska Sp. z o. o., and subsequently concluded an operating lease agreement concerning this property. Lease payments are denominated in EUR and divided into 180 monthly installments (15 years). The last installment will be payable on January 21, 2021. The total amount of payments during the agreement term will be EUR 9,872,000.

The fair value of the leased asset after the expiration of the agreement has been determined to be EUR 5,573,000, of which perpetual usufruct of land EUR 1,613,000 and the value of buildings EUR 3,961,000.

Pursuant to the agreement, after the expiry of the primary term of the lease agreement the lessee or an undertaking indicated by the lessee may purchase the leased asset for the price equal to the aforementioned final fair value determined. Where this option is not taken advantage of, the lessee will pay to the lessor a handling fee amounting to 7% of the original value of the leased asset, which original value was determined to be EUR 10,660,000.

Pursuant to the agreement, the lessee does not have the right to terminate it, except in circumstances where a change concerning lease installments or changes in the lessee's ownership structure cause the agreement to cease to be cost effective. In such cases, the lessee will additionally have the right to demand that a purchase agreement be concluded concerning the lease asset, for a price equal to the sum of the portion of the installments outstanding until the end of the lease period and the final value.

The expenses related to minimum lease payments for property leases during individual periods were PLN 1,464,000 between January 1, 2008 and June 30, 2008, and PLN 3,013,000 in 2007.

Minimum lease payments for property lease were as follows:

	End of period, June 30, 2008	End of period, December 31, 2007
One year or less	2206	2843
From one up to five years	8825	12394
more than 5 years	16730	25045
	27761	**40282**

NOTE 26
CONTINGENT RECEIVABLES AND LIABILITIES

Contingent receivables

	End of period, June 30, 2008	End of period, December 31, 2007
Financial receivables under litigation	291	291
	291	**291**

As at June 30, 2008, contingent receivables included financial assets under litigation, i.e. receivables arising from the redemption of commercial bills. These receivables are subject to a damages action. In the view of the Company, ATM S.A. was misled by BWE S.A. as to the actual standing of the commercial bill issuer — the DANMAG S.A. company from Zielona Góra. Due to its poor standing, DANMAG S.A. was unable to redeem the commercial bills it had issued. The Court of Appeals decided to return the case to the Regional Court for re-examination. As at June 30, 2008, the case remained undecided.

Contingent liabilities

	End of period, June 30, 2008	End of period, December 31, 2007
To related undertakings:	-	-
To other undertakings:		-
1. Bank guarantees received:		
- performance bonds and tender bonds	2827	7304
3. Promissory notes:		
- endorsements concerning agreements related to EU project financing	2500	2500
	5327	**9804**

As at June 30, 2008, tender bonds and performance bonds included guarantees extended by BRE Bank SA amounting to PLN 1,821,000, by Bank Millennium S.A. amounting to PLN 906,000, and by DnB NORD Polska S.A. amounting to PLN 100,000.

In 2006 and 2007 ATM S.A. received subsidies from the Polish Entrepreneurship Development Agency in order to finance the development and modernization of its telecommunications infrastructure and the development of its Collocation Center. Two promissory notes for the amount of PLN 1,250,000 each are to guarantee the repayment of financial means in the case of failure to fulfill the liabilities resultant from the co-financing agreement.

NOTE 27
INFORMATION CONCERNING RELATED UNDERTAKINGS

Related undertaking details

1. Undertakings related to the Company

Apart from the undertakings in which ATM S.A. holds an equity stake, the undertakings related to the Company include those related through the Management Board members of the parent undertaking. These undertakings include:

- A. Chalimoniuk i Wspólnicy, ATM S.J. — related through Mr. Tadeusz Czichon, who is one of the four partners in this undertaking, while also being the Vice-President of the Management Board of the parent undertaking (ATM S.A.) and being among the shareholders who hold more than 5% of shares in ATM S.A. (Note 17);
- ATM PP Sp. z o. o. — related through Mr. Tadeusz Czichon, who is the President of the Management Board of this undertaking and at the same time is its shareholder, holding around 25% of shares.

Sales to and purchases from related undertakings are made at normal arm's length prices. Outstanding liabilities and receivables at the end of the fiscal year are not secured and are settled in cash. Receivables from related undertakings are not covered by any guarantees, extended or received.

During the periods covered by this financial information, the scope of mutual transactions with related undertakings included:

- trade transactions including the purchase and sale of goods, materials and services;
- transactions related to the lease of telecommunications infrastructure.

The amount and scope of trade transactions has been presented in the table below:

Related undertaking	Year	Sales to related undertakings	Purchases from related undertakings	Receivables from related undertakings	Liabilities to related undertakings
A. Chalimoniuk i Wspólnicy, ATM S.J.	2007	-	360	-	24
	2008	1	455	-	24
ATM PP Sp. z o. o.	2007	9	1662	4583	237
	2008	67	21258	1	53
	2007	**9**	**2022**	**4538**	**261**
	2008	**68**	**21713**	**1**	**79**

During the periods covered by the consolidated financial statements, transactions with related undertakings involved no write-downs concerning receivables from those undertakings and no receivables were written off.

2. Directing and supervisory body members and their close family members

Other Company related entities include members of directing and supervisory bodies (including management) and persons who are their close family members (i.e. partner and children, the partner's children and persons dependent on the member or his or her partner) as well as other businesses in which members of the parent undertaking Management Board perform management duties or are shareholders.

Senior management remuneration

Management remuneration includes the remuneration of the Management Board, Supervisory Board and Directors of the Parent Undertaking. The remuneration paid to these persons, divided into main benefit types, has been presented in the table below:

	End of period, June 30, 2008	End of period, December 31, 2007
Short-term employee benefits	1907	3419
Benefits after the employment period	-	-
Severance pay	-	-
	1907	**3419**

The short-term employee benefits referred to above concern:

	End of period, June 30, 2008	End of period, December 31, 2007
Management Board	450	900
Supervisory Board	123	246
Directors and managers	1334	2768
	1907	**3419**

Apart from the benefits listed above, the management receives no other benefits. During the periods covered by the present consolidated financial statements, no loans, guarantees or endorsements were extended to the management.

Contracts with parent undertaking Management Board members include non-competition clauses which hold for three months after they leave their posts. Under this provision, the parent undertaking is obliged to pay a compensation amounting to three monthly salaries. Twice that amount is to be repaid if the non-competition clause is breached.

NOTE 28
FINANCIAL INSTRUMENTS

1. Capital risk management

The Company manages its capital in order to ensure that it will be able to continue as going concerns, while at the same time maximizing their profitability by optimizing their debt-to-equity ratios.

The Company regularly reviews its capital structure. Such reviews involve the analysis of cost of equity and the risk related to its individual categories. The most important factors subject to analysis are:

- bank loans — disclosed in Note 20;
- cash and cash equivalents — disclosed in Note 18;
- equity, including shares issued, capital reserves and retained earnings — disclosed in Notes 19 and 10.

The dividend policy is among the risk management measures. According to this policy, investors should receive an annual dividend of not less than interest on bank deposits. The Company intends to pay an annual dividend in the amount of not less than the EURIBOR rate for annual deposits on the last day of the fiscal year, additionally increased by 0.5%, and multiplied by the Company's listed value in the last month of the year. The new dividend policy will operate independently of the Company's demand for capital required to sustain its high growth rate in the future and to finance long-term investments and acquisitions. Dividend is payable to shareholders who have already entrusted the Company with their money. On the other hand, offers to take up shares while increasing the Company's capital will be extended to new investors or existing investors who plan to extend their capital involvement in the Company.

2. Financial risk management objectives

Principal financial instruments used by the Company include bank loans (Note 20), finance lease agreements (Note 24), as well as cash and deposits (Note 18). The main purposes of these instruments include raising funds for Company operations, liquidity risk management and short-term investment of surplus liquid funds. The Company also uses other financial instruments, including trade receivables and liabilities (Notes 14, 16, 22 and 23), which, however, are directly related to its operations.

The main risks arising from Company financial instruments include credit risk and liquidity risk as well as interest rate risk and foreign exchange risk. Exposure to these risks and their causes have been presented in the items below.

The Company has no assets or liabilities measured at fair value, held for trading, embedded or derivative financial instruments. The Group does not use hedge accounting, and during the period covered by the financial statements it neither extended loans (apart from subsidiary loans) nor was party to financial guarantee contracts.

During 2007 and 2008:

- no financial instruments were reclassified between categories within the meaning of IAS 39;
- the Company did not dispose of its financial assets in a manner that would prevent their removal from the balance sheet despite their transfer to a third party;
- the Company received no financial or non-financial assets within the framework of enforcement proceedings concerning security for its financial assets.

3. Material accounting policies

A detailed description of material accounting policies and methods used, including the criteria for recognition, basis for valuation and policies concerning the recognition of revenue and costs with regard to individual financial asset, financial liability and capital instrument categories has been presented in Note 2 to the financial statements.

4. Financial instrument categories and classes

Financial assets and liabilities broken down into categories (as per IAS 39) were as follows:

	End of period, June 30, 2008	End of period, December 31, 2007
Financial assets		
At fair value through profit or loss	-	-
Derivatives in hedging relationships	-	-
Investments held to maturity	-	-
Own receivables (including cash and cash equivalents)	74241	140290
Financial assets available for sale	-	-
Financial liabilities		

At fair value through profit or loss	-	-
Derivatives in hedging relationships	-	-
Financial liabilities	48872	71628
Financial guarantee contracts	-	-

Taking into account the nature and specific features of the financial instrument categories presented above, the following classes of instruments have been distinguished within individual groups:

With regard to the own receivables category

	End of period, June 30, 2008	End of period, December 31, 2007
Receivables from related undertakings (Note 16)	1028	5129
Short-term receivables from other undertakings (Note 16)	26380	58729
Long-term receivables from other undertakings (Note 14)	12144	13559
Cash and cash equivalents (Note 18)	34689	62873
Total	**74241**	**140290**

With regard to the financial liabilities category

	End of period, June 30, 2008	End of period, December 31, 2007
Liabilities arising from loans (Note 20)	-	-
Liabilities to related undertakings (Note 23)	1049	1320
Short-term liabilities to other undertakings (Note 23)	19867	53983
Long-term liabilities to other undertakings (Note 22)	-	-
Liabilities arising from finance leases (Note 24)	19419	16325
Other financial liabilities (Note 24)	8537	
Total	**48872**	**71628**

With regard to the Financial assets available for sale category

5. *Fair value of financial instruments*

According to the estimates of the Management Board, the values of individual financial instrument classes listed above do not differ significantly from their fair values.

6. *Credit risk*

Credit risk is the risk of a counterparty defaulting on its obligations, thus exposing the Company to financial losses. The Company operates a policy of concluding transactions exclusively with counterparties whose creditworthiness has been verified; when required, appropriate security is obtained in order to mitigate the risk of financial losses caused by a breach of contractual terms. Company exposure to the risk related to the counterparties' credit ratings is subject to ongoing monitoring and the aggregated value of transactions concluded is divided among approved counterparties. Credit risk control is enabled by limits, which are verified and approved annually by the Management Board.

The Company is not exposed to significant credit risk related to a single counterparty or a group of similar counterparties. There is no risk concentration linked to the existence of a single purchaser or a group of related purchasers from whom the Company would obtain revenue in excess of 10% of the total revenue amount, either.

The Company mitigates credit risk by concluding transactions only with creditworthy undertakings. Before cooperation is initiated, internal preliminary verification procedures are followed. Moreover, since receivable amounts are monitored on an ongoing basis, the Company's exposure to the risk of receivables becoming uncollectible is insignificant.

As concerns the Company's financial assets, including cash, deposits and investments in assets available for sale, the Company's risk is directly related to the other party's inability to pay, and the maximum exposure to this risk equals the balance sheet value of the instrument in question.

As at June 30, 2008, financial asset impairment write-downs came to PLN 438,000; as at December 31, 2007, they were PLN 578,000. These write-downs concern own receivables from other undertakings, of which PLN 135,000 are receivables currently under litigation, and PLN 303,000 are receivables which will likely prove uncollectible according to Company estimates.

As at June 30, 2008 and December 31, 2007, no financial asset items were present whose repayment terms had been renegotiated.

No significant security has been established for the benefit of the Group arising from the financial assets held by the Group.

6. *Liquidity risk*

The Company has developed an appropriate liquidity risk management system for the purposes of managing short-, medium- and long-term funds of the Company and in order to satisfy liquidity management requirements. The Company manages its liquidity risk by maintaining an appropriate amount of capital reserves, by taking advantage of banking services offered and using reserve credit facilities, by monitoring forecasted and actual cash flows on an ongoing basis and by analyzing the maturity profiles of its financial assets and liabilities.

The Company mitigates credit risk by concluding transactions only with creditworthy undertakings. Before cooperation is initiated, internal preliminary verification procedures are followed. Moreover, since receivable amounts are monitored on an ongoing basis, the Company's exposure to the risk of receivables becoming uncollectible is insignificant. As concerns the Company's other financial assets, including cash, deposits and investments in assets available for sale, the Company's risk is directly related to the other party's inability to pay, and the maximum exposure to this risk equals the balance sheet value of the instrument in question.

The fair value of individual financial instruments did not significantly differ from their book values recorded in the consolidated financial statements as at subsequent balance sheet dates.

NOTE 29
EVENTS AFTER THE BALANCE SHEET DATE

There were no significant events after the balance sheet date.

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INDEPENDENT STATUTORY AUDITOR REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD FROM JANUARY 1, 2008 TO JUNE 30, 2008

To the Shareholders and the Supervisory Board of ATM S.A.

We have reviewed the consolidated financial statements of ATM S.A. Group of Companies, whose parent undertaking is ATM S.A. seated in Warsaw, at Grochowska 21a, which includes:

- consolidated balance sheet prepared as at June 30, 2008, which states the amount of PLN 332,560,000, as concerns assets and liabilities;
- consolidated profit and loss account for the period between January 1, 2008 and June 30, 2008, which states PLN 1,598,000 of net profit;
- statement of changes in consolidated shareholders' equity for the period between January 1, 2008 and June 30, 2008, with a decrease in equity in the amount of PLN 20,401,000;
- consolidated cash flow statement which shows a decrease in cash in the period between January 1, 2008 and June 30, 2008 of PLN 34,024,000;
- additional information and clarification.

The Management Board of the parent undertaking of the ATM S.A. Group of Companies is responsible for the reliability, accuracy and clarity of the information provided in the consolidated financial statements. Our task was to review this consolidated financial statement.

ATM S.A. Group of Companies consolidated financial statements for the period of 6 months ended on June 30, 2007 includes financial information of 10 subsidiaries which were fully consolidated, and information concerning one entity consolidated using the equity method. Subsidiary financial statements have not been reviewed by entities authorized to analyze financial statements. The share of non-reviewed financial statements in the consolidated balance sheet prior to consolidation adjustments is 14.2%, and their share in consolidated revenue prior to consolidation adjustments is 28.6%.
The review was conducted according to the Polish law, as well as to the statutory audit standards issued by the National Council of Statutory Auditors. These standards require that we conduct the review in such a way that would give us moderate certainty that the consolidated financial statements do not have significant inconsistencies. The review was conducted in the process of consolidated financial statements data analysis, consolidation documents inspection and by using information obtained from the Management Board and the staff responsible for parent undertaking finances and accountancy. The scope and the methodology of the consolidated financial statements review are substantially different than in the case of a study. The aim of the review is not to express an opinion on the accuracy, reliability and clarity of a consolidated financial statement. For this reason, we have not issued such an opinion.

The review did not reveal any need for substantial changes in the attached consolidated financial statements in order to make it reliably and clearly state the asset and financial situation of ATM S.A. Group of Companies as at June 30, 2008, as well as its financial performance for the period between January 1, 2008 and June 30, 2008, according to the International Financial Reporting Standards as approved by the European Union.

Piotr Sokołowski
Członek Zarządu
Biegły Rewident
nr ewid. 9752

Radosław Kuboszek,
Statutory Auditor,
No. 9774/7316

Piotr Sokołowski
Board Member,
Statutory Auditor, No. 9752

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Persons representing the entity

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Entity authorized to review financial statements, entered under No. 73 in the list of authorized entities maintained by the National Council of Statutory Auditors

Warsaw, September 26, 2008

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INDEPENDENT STATUTORY AUDITOR REPORT OF THE FINANCIAL STATEMENTS FOR THE PERIOD FROM JANUARY 1, 2008 TO JUNE 30, 2008

To the Shareholders and the Supervisory Board of ATM S.A.

We have reviewed the attached financial statements of ATM S.A. seated in Warsaw, at Grochowska 21 a, which include:

- introduction to the Financial Statements;
- balance sheet prepared as at June 30, 2008, which states the amount of PLN 306,395,000, as concerns assets and liabilities;
- profit and loss account for the period between January 1, 2008 and June 30, 2008, which states PLN 3,613,000 of net profit;
- statement of changes in shareholders' equity for the period between January 1, 2008 and June 30, 2008, with a decrease in equity in the amount of PLN 17,509,000;
- cash flow statement which shows a decrease in cash in the period between January 1, 2008 and June 30, 2008 of PLN 28,184,000;
- additional information and clarification.

ATM S.A. Management Board is responsible for the reliability, accuracy and clarity of the information provided in the financial statements. Our task was to review these financial statements.

The review was conducted according to the Polish law, as well as to the statutory audit standards issued by the National Council of Statutory Auditors. These standards require that we conduct the review in such a way that would give us moderate certainty that the financial statements do not have significant inconsistencies. The review was conducted in the process of financial statements data analysis, account books audit and use of information obtained from the management and the staff responsible for Company finances and accountancy.

The scope and the methodology of the financial statements review are substantially different from the scope and methodology of a study aimed at expressing an opinion on the financial statements. For this reason, we will not issue such an opinion.

The review did not reveal any need for substantial changes in the attached financial statements in order to make it reliably and clearly state the asset and financial situation of ATM S.A. as at June 30, 2008, as well as its financial performance for the period between January 1, 2008 and June 30, 2008, according to the International Financial Reporting Standards as approved by the European Union and applicable to half-year financial reporting.

Piotr Sokołowski
Członek Zarządu
Biegły Rewident
nr ewid. 9752

Radosław Kuboszek,
Statutory Auditor,
No. 90029/6847

Piotr Sokołowski
Board Member,
Statutory Auditor, No. 9752

……………………………………

Persons representing the entity

……………………………………

Entity authorized to review financial statements, entered under No. 73 in the list of authorized entities maintained by the National Council of Statutory Auditors

Warsaw, September 26, 2008